MAR. 16
1935

BUSINESS WEEK

Keystone

GOVERNMENT—INDUSTRY CONFERENCE—Gen. Robert E. Wood of Sears, Roebuck, business adviser to the Administration, talks relief business with FERA chief Harry L. Hopkins at a Chicago Executives' Club luncheon.

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Washington Bulletin

WASHINGTON *(By Business Week Staff Correspondents)*—With NRA in the balance, utility holding company legislation apt to be much less drastic than the President desires, social security legislation still bogged down by bad actuarial work and other complications, the work relief filibuster still in full blast, and the Presidential advance held up on banking, railroads, and half a dozen other important measures "until the situation clears," Capitol Hill is in a fog.

> ***WHAT CONGRESS DID***
>
> ***The Senate:***
>
> ***Passed the $400-million Army appropriation.***
>
> ***The House:***
>
> ***Voted to repeal income tax publicity.***
>
> ***Voted HOLC extension.***
>
> ***Approved industrial loan insurance up to $50,000.***
>
> ***Passed $112-million First Deficiency Bill.***

7-A to Wagner Bill

Possibility that Section 7-A, storm center of labor troubles, may be transferred from NIRA to the Wagner Labor Relations Bill, has improved the prospects for that measure. Both the government and labor want a permanent law on collective bargaining, even if that law is hazy. Extension of NRA would only be for 2 years.

Quoting Mr. Richberg

Prospects for a compromise on the 30-hour week are brighter, as the result of one of Donald Richberg's arguments for NRA. Said Richberg: President should have right to impose codes, fixing maximum hours and minimum wages within limits set by law. No limits have ever been set by law except in the historic Adamson Act of 1916 for railroad brotherhoods. To make Richberg's point stick, Black bill advocates insist, Congress must enact a maximum-hours-of-work law.

Incidentally, Richberg makes the same mistake in dealing with Congress that Newton Baker made in war days. Too clever for his questioners, he leaves an impression of his own adroitness rather than of the irrefutable logic of his contentions.

Conciliating the Contractors

A right-about-face by the President on permitting contractors to handle relief work under the $4.8-billion bill promises to smooth the path of that measure at the Capitol. Present White House plans propose use of contractors on a fee basis, with the government buying all materials through the Federal Surplus Relief Corp. While not promising the profits which highly efficient contractors might expect under the usual procedure, this is much better than the President's original plan of by-passing the contractors altogether.

"Security" Wage Indicated

Prevailing-wage compromising will be manifest in the President's plans regardless of the outcome on Capitol Hill, where every indication is that he will be sustained. But contractors will be required to pay "security" wages—more than dole and less than private employment—except where employees are not taken from relief rolls.

Guffey Bill in Doubt

Ultimate fate of the Guffey bill, giving a public utility status to coal production, will depend upon the extension of NRA. If the code is discontinued, a part of the coal industry will urge its passage, despite weakness of its arbitration features.

Pittsburgh-Plus Plans

The old Pittsburgh-plus system of determining steel prices by adding the freight from Pittsburgh, seems due for a shakeup. Long since, there have been over 80 "Pittsburghs"—other centers used as basing points. NRA wants to continue the idea but change it by instituting a new yardstick—the 50-mile group system—which would add 19 more basing points. The Federal Trade Commission wants to scrap the whole plan, attack it by anti-trust and FTC prosecutions, get down to a strictly F.O.B. mill basis.

Copeland Bill the Limit

No real aid will be lent by the President to Professor Tugwell in his hope to get a more drastic food and drug bill through Congress than Dr. Copeland and his friends desire. The President is having plenty of other troubles on Capitol Hill without taking this on. So the Department of Agriculture is reconciled to taking what it can get. However, this does not go for the Mead bill—wanted by proprietary manufacturers. Rather than that, the Department would prefer the existing (1906) law.

Excess Profits Tax

In advance of the Administration tax measure—bound to come later—Senator Couzens will push an excess profits tax on the floor of the Senate. His measure, which, he estimates, would produce $250 millions revenue, was voted down by the Finance Committee. But this means little: First, because his tax was an amendment to the pink slip repeal measure and the committee did not want to clutter up action on that; second, because Administration senators want to wait until later for the tax bill.

Cotton Loan Cut

The definite determination of the Administration to lower the "guaranteed" cotton price, as fixed by the amount it will loan, arises from concern in Administration circles over the desperate efforts of the rest of the world to produce a substitute—or find a new production area.

Open Up Trade Treaties

Reciprocal trade treaties continue to be of prime importance in the New Deal scheme, flat notice being served that there is no disposition to restrict concessions in such treaties to goods not produced in America. Competitive goods must be admitted if the United States is to continue selling abroad, Secretary Roper points out.

No Bonus Compromise

The hoped-for compromise of the Administration on the bonus—which would cut the cost to the government to $4½ billions—has not materialized but is still counted on by the President, who hopes to avoid a veto.

Approve HOLC Extension

No considerable opposition will develop to the $1.75 billions voted by the House, and expected to be approved by the Senate, for Home Owners Loan Corp. Bankers and loan agencies generally like the idea of the government making loans which they are not anxious to advance.

Short-Circuiting Carter Glass

Far more lay behind use of the $642-million gold "profit" than is immediately apparent. In reducing the federal debt so substantially the move makes less effective the protests of Glass and others who, worried about government credit, still hope to cut the work relief bill by $2 billions. And it more or less burns the bridges, so far as the gold policy is concerned.

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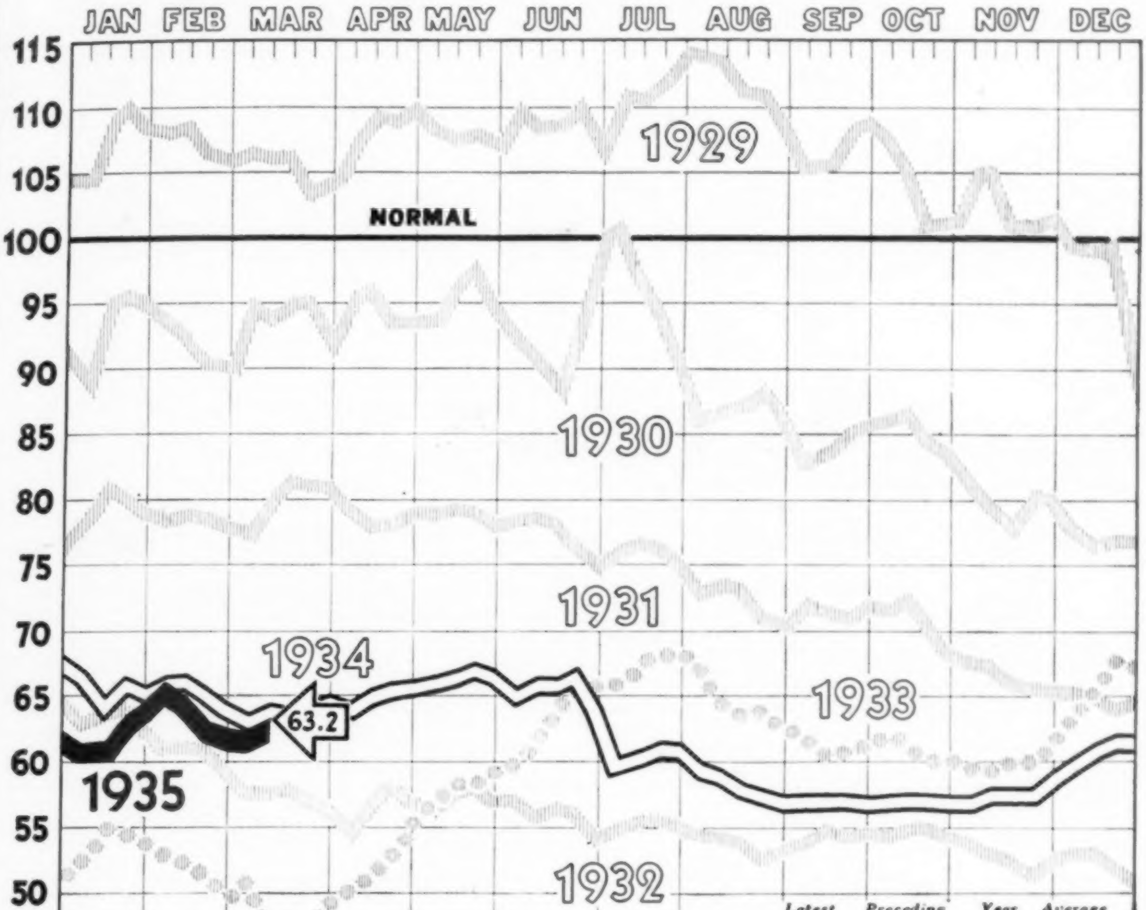
WEEKLY INDEX OF BUSINESS ACTIVITY



	Latest Week	Preceding Week	Year Ago	Average 1930-34
BUSINESS WEEK INDEX	*63.2	†62.3	64.4	69.2
PRODUCTION				
★ Steel Ingot Operation (% of capacity)	47.1	48.2	46.2	43.2
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis)	$3,193	$3,184	$4,562	$6,185
★ Bituminous Coal (daily average 1,000 tons)	*1,467	†1,423	†1,399	1,177
★ Electric Power (millions K.W.H.)	1,724	1,734	1,647	1,598
TRADE				
Total Carloadings (daily average 1,000 cars)	101	99	101	109
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars)	64	63	61	72
★ Check Payments (outside N. Y. City, millions)	$3,941	$3,179	$3,217	‡$4,470
★ Money in Circulation (daily average, millions)	$5,491	$5,465	$5,386	$5,472
PRICES (Average for the Week)				
Wheat (No. 2, hard winter, Kansas City, bu.)	$.98	$1.01	$.82	‡$.78
Cotton (middling, New York, lb.)	$.119	$.126	$.124	‡$.112
Iron and Steel (STEEL, composite, ton)	$32.39	$32.42	$31.43	$31.00
Copper (electrolytic, f.o.b. refinery, lb.)	$.088	$.088	$.078	$.094
All Commodities (Fisher's Index, 1926 = 100)	81.8	82.0	74.5	‡76.2
FINANCE				
Federal Reserve Credit Outstanding (daily average, millions)	$2,459	$2,455	$2,549	$1,995
Loans and Investments, Federal Reserve rep't'g member banks (millions)	$18,462	$18,321	$17,425	......
★ Commercial Loans, Federal Reserve reporting member banks (millions)	$4,598	$4,603	$4,673	......
Security Loans, Federal Reserve reporting member banks (millions)	$3,125	$2,995	$3,495	......
Brokers' Loans, Federal Reserve reporting member banks (millions)	$1,007	$892	$902	......
Stock Prices (average 100 stocks, Herald Tribune)	$94.98	$96.26	$103.24	$119.24
Bond Prices (Dow, Jones, average 40 bonds)	$95.37	$96.48	$92.82	$88.17
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	‡2.3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	¾%	¾%	1¼%	‡3.0%
Business Failures (Dun and Bradstreet, number)	216	224	260	516

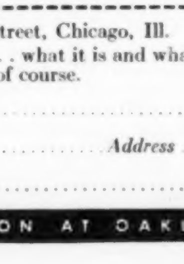
* Preliminary † Revised ★ Factor in *Business Week* Index ‡ Four-year average. 1933 not reported.

HOW DITTO HELPS COLUMBIA NETWORK

To Get the Right Program on the Air at the Right Time

ON Columbia—the world's largest radio network—the work of getting the right program on the air at the right time must be absolutely synchronized. Every individual concerned must be kept informed, right to the minute, of all that is going on.

In this work, Ditto's ability to make copies of anything typewritten, handwritten or drawn, quickly, accurately and economically is of inestimable value to the Columbia Broadcasting Company. With Ditto they get out copies of schedules of programs; of operation sheets for the next day; of program corrections which often call for great speed, and of sales department orders for all concerned.



In addition, practically all continuities are reproduced on Ditto and much music for singers and orchestras. In all of this work the copies must be bright and clean-cut, and mistakes simply are "not allowed." Failure to synchronize all departments might upset the whole network and result in serious loss, both to the Columbia Broadcasting Company and to the concern sponsoring the program.

* * * *

Ditto's dependability, its speed, accuracy and economy in all duplicating jobs are saving large sums annually for large and small concerns in every line of business. You owe it to yourself as a progressive business executive to find out what Ditto can do for you. Write us for samples and facts. There's no cost or obligation.

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City .... *State* ....

DITTO INCORPORATED HARRISON AT OAKLEY BLVD CHICAGO, ILLINOIS

The Business Outlook

SUFFERING a slight case of late-winter nerves, business was inclined to hesitate this week and to think about its worries, particularly its political ones. In doing so it overlooked such favorable factors as the opening up of the capital markets with the refunding operations of Pacific Gas & Electric and Swift, the earmarking of the balance of the gold profit for retirement of national bank notes (thus removing these funds from the view of bonus enthusiasts), the continued expansion of automobile production and sales, the rise in factory payrolls and of consumer expenditures in retail channels, the growing market for such durable goods as machinery and machine tools, the upturn in check payments in the first week of March to the highest level of any week since Jan. 6, 1932.

Textile and Steel Worries

Textile men were saying sadly that "it never rains but it pours" as the precipitous break in cotton prices reduced inventory values, enhanced the hand-to-mouth buying of the trade, added another weight to the sagging price structure. Steel buyers who could wait out the market while the future of the NRA and of the steel basing-point problem was being thrashed out in Washington were withholding orders in the hopes that prices might prove more favorable to them later on.

Politics and Labor

Utilities, mustering their stockholders in effective opposition to the holding companies bill, came up against the counterattack of the President's special message in favor of such legislation. The soft coal industry was up in arms over the Guffey bill and threatened with labor difficulties if no wage agreement is attained by Apr. 1. The railroads were fretting over the burden of fully restored wages soon effective while freight movement continues to stay close to last year's level; their hopes now center in a favorable decision on freight rates and court frustration of the pension program.

Store Sales Rise

Meanwhile, without regard to the business propensity for gloom, the figures are showing that department store sales for February actually increased over January levels and were 5% ahead of a year ago, against a 4% spread in January. Individual reserve districts fared irregularly in the 2-month period. Boston, running 4% behind 1934 in January, shot up to 3% above last year in February. Cleveland, on the other hand, stood 14% ahead in January, slipped to 1% behind 1934 last month. For the first 2 months, the Kansas City and San Francisco districts led the country with 10% gains. First 22 chain stores to report February sales were 9% ahead of last year, with individual variations ranging from 6% behind to 22% ahead. Only 2 of the list failed to show gains.

Bigger Appliance Demand

Washing-machine sales were 34% higher in January than in December and 8% ahead of a year ago. Sales of gas-engine washers to rural customers were 58% ahead of a year ago. Some 14 refrigerator makers scored a gain of 189% in their distribution of domestic household units in January compared with a year ago, collecting $7.2 millions for them against $2.4 millions in 1934.

Cars Find Quick Sales

Final figures for automobile sales in January fell a trifle below early estimates, but passenger cars to the number of 136,635 found their way to the public, a gain of 123% over 1934. Commercial cars sold totaled 34,775, a 44% increase from December and a 52% over a year ago. This is much better than was expected. For February, Ford claims retail deliveries of 90,857 trucks and cars, the largest volume for any month since April, 1931. In the first 2 months, Ford dealers sold 76% of the factory output. General Motors has a similar record—78% of the cars shipped to dealers in the United States were sold to consumers in the first 2 months of 1935 against a 64% ratio in 1934. Foreign sales for January and February were 98% greater than for the same months of 1934. Pontiac sold more cars abroad in the first 2 months of 1935 than in the whole year 1934.

Spring Assemblies Heavy

Such reception of motor products has stimulated the industry—"uncertainties" regardless—to produce the largest first-quarter volume since 1929, has provided the main prop in the spurt of manufacturing activity this spring. February assemblies are now estimated at 355,350 units, while March has been stepped up to 415,000. This will bring the first 3 months well above the million mark, or 49% ahead of 1934. Ford will probably assemble 800,000 of his million in the first 6 months of 1935. Movement of freight in the Rouge plant in February broke all records for volume despite the short month. Ten rented locomotives were added to the 12 Ford engines in use.

A. F. of L. Rebuffed

Rejection of the A. F. of L. proposal for a conference with the Automobile Manufacturers Association was to be expected. The association pointed out that the individual companies were the proper agency for such conferences, and went a step further to challenge the Federation's right to represent the industry's employees in the face of the recent weakness shown in election returns. The rejection will undoubtedly spur the strike vote, but threat of a strike still seems to be a bluff.

Steel Looks Stable

Steel activity averaged 51.6% of capacity in February compared with 46.4% in January. Present operations have slowed down a bit as a whole, though tin plate and flat-rolled steel divisions are holding at a high level. With motor requirements for the second quarter still substantial, plus the increasing volume from household and farm equipment makers, some rail tonnage and prospective construction awards, the next few weeks should see the steel industry operating at a fairly stable rate around current levels.

Forehanded Coal Buying

Coal production has been boosted by fear of labor trouble in April, and fear of higher prices resulting from possible assent of the ICC to higher freight rates, from increased labor costs. Stability of coal prices, the gift of the code to the industry, enabled Pittsburgh Coal Co. to make the best earnings record since 1924, even exceeding 1929, the only other year to show a profit in the interval.

Home Building Bright Spot

Cumulated construction records for the first 2 months of 1935 make a dismal picture, except in the residential division, where a 32% increase over the same period of 1934 is shown. Non-residential activity is 27% under last year, and public works and utility awards are deepest in the hole—57% under the first 2 months of 1934. The House has now passed a bill lifting the "character" loans of renovation projects for commercial structures to $50,000 from the current $2,000 level.

First prize winner from among hundreds of posters displayed at the National Exhibition of Poster Art, Chicago, 1934.

•

First among all the magazine advertisements of the year in combined attention value and reader interest, according to the nationwide survey of Starch Advertisement Rating Service.

Outstanding copy theme of the year . . . "The Chesapeake & Ohio kitten has slept her way into top place in the public heart"—"Advertising & Selling," December 1934.

OUTSTANDING ADVERTISEMENTS *of* 1934

Among the thousands of splendid advertisements that were produced last year these three stand out pre-eminent.

In the nationwide survey of the Starch Advertisement Rating Service, in which thousands of readers of weekly and monthly magazines were interviewed each week, this La Salle Motor Car advertisement is rated higher than any other advertisement published during the year, in combined attention value and reader interest—and the Starch Service is the recognized unbiased authority in the field of advertisement evaluation so far as weekly and monthly magazines are concerned.

In the field of Outdoor Advertising the nationally recognized authority rests in the jury that awards the prizes at the great Exhibition of American Poster Art held each fall in Chicago. At this Exhibition, for four consecutive years, Campbell-Ewald posters have won a majority of the major prizes—first honors last fall going to this Pontiac Motor Car poster. Third prize was awarded to the Chesapeake & Ohio "Sleep Like a Kitten" poster.

And this peacefully slumbering Chesapeake & Ohio kitten has so snuggled her way into the public heart that she has been accorded first place as the outstanding "copy appeal" of the year by "Advertising and Selling" and other nationally prominent trade publications—as well as, we believe, by the Supreme Court of Public Opinion.

Authoritative recognition of merit is gratifying, of course . . . We appreciate it . . . But we prefer to think of these examples of creative skill, not as exceptions, but rather as concrete expressions of what we mean by "Advertising Well Directed."

Advertising Well Directed

CAMPBELL-EWALD COMPANY

HENRY T. EWALD, President · GENERAL MOTORS BUILDING, DETROIT

NEW YORK · WASHINGTON · CHICAGO · LOS ANGELES · SAN FRANCISCO · PORTLAND · TORONTO · MONTREAL

NRA U.S. CODE GRAPHIC ARTS INDUSTRY

BUSINESS WEEK

MARCH 16, 1935

Breaking the Capital Jam

Investment market hears the ice crack as big refunding issues come through with a sound of new financing behind. New, simplified SEC regulations help.

Two big security transactions have been started through the mill toward public offering before the end of the month. Hints come from Washington of a series of other large offerings to follow in quick succession. There is a bustle in Wall Street as investment firms put finishing touches on more millions of prospective financing. All the signs now point to the long-awaited breakup of the ice jam that, for 3 years, has paralyzed the flow of capital funds.

To Swift & Co., world's largest packers, may go the credit for loosening the jam. Its $43-million refunding program, whipped together since regulations for new financing under the Securities Act of 1933 were simplified in January, will be the first to reach the market, is scheduled for public offering Mar. 27.

On its heels will come Pacific Gas & Electric's $45-million financing on Mar. 28. A dramatic transcontinental airplane race against time gave color to the Coast utility transaction. Officials, bent upon getting their new bonds onto the market a few days before the call would have to be issued for the securities to be refunded, had one plane grounded on them in Sacramento, another in Cheyenne; nevertheless, they got registration papers to the Securities and Exchange Commission at 11:30 P.M. Friday, Mar. 8. Allowing the 20 days required between filing and public offering, dealers can release the bonds for subscription 3 days before the company must give holders of outstanding bonds the 60 days' notice of a June 1 redemption.

Another Half-Billion Expected

Wall Street talks of another $500 millions of business on the fire. In the main this also consists of refundings for outstanding obligations, and is limited to the highest-grade low-yield category —which doesn't give the investment market the new securities needed to satisfy the tremendous demand, doesn't provide any new money for plant construction and equipment purchases, doesn't promise the capital goods industries the long-awaited flood of orders.

However, there is a leavening of bona fide new financing included in the business under discussion. Wall Street and Washington hope the magnet of low-interest rates will, in time, draw borrowers to the market for more and more new funds, once it is demonstrated that the time is right for undertakings of this nature.

Record Prices

Investment banking enthusiasm would have been higher had the new business started to unfold two weeks ago when bond prices were scaling new peaks. For all the apparently insatiable demand for high-grade investments, their market has not been able to disregard completely the disturbances thrown into the financial situation by demoralization in more volatile stock and commodity trading. However, nothing but the upper fraction has been knocked off quotations for prime bonds. Current levels still promise nearly the best prices on record for attractive new issues. Furthermore, the lag between announcement and actual offering, enforced by the new securities laws, provides ample time for the financial community to recover its poise, ordinarily only a matter of days under favorable circumstances.

The most optimistic predictions as to new financing in the offing sound tame against the billion-dollar months of 1928 and 1929, and in comparison with the billions of capital construction presumed to have piled up during the last 5 years of deficient replacements and new building.

Among the borrowing candidates being discussed for further refunding operations, oil and steel figure prominently. Chicago talks of the other packers—Cudahy, Armour, Wilson—following the lead of Swift. The latter is cutting interest charges from 5% to 3¾% on its funded debt, the lowest coupon rate for an industrial corporation that the financial district can recall. The nearest parallel cited is General Electric's financing on a 4% basis before the war.

4% Financing

Pacific Gas & Electric is also cutting its interest charge, from 5½% to 4%, and attracting additional interest by flying in the face of the threatened holding company legislation. Representing the largest utility property on the Coast, it has the holding company type of organization, operating through 12 subsidiaries which, in turn, control 8 others.

Overshadowed by these larger transactions, but contributing their part to

Wide World

"WALL STREET EMBASSY"—That's what the new headquarters of the New York Stock Exchange in Washington have already been dubbed by Capital wits, and the nickname bids fair to stick. Called to Washington so frequently these New Deal days, Stock Exchange members finally decided it would be cheaper to lease this residence at 2416 Tracy Place than pay hotel bills.

the financing definitely under preparation, are 3 smaller railroad undertakings. Atlantic Coast Line expects to hit the market soon with $12 millions, the Virginian has asked ICC permission for $3.7 millions (incidentally new financing) and Lehigh & New England is out for $6 millions. New York, Pennsylvania & Ohio Railroad, an Erie property, is in the midst of an $8-million extension program from which some bonds may come onto the market, since the operation is underwritten by a banking group that will take any bonds refused by present holders.

Washington is unreserved in its predictions that the current activity signalizes definite revival of capital financing. SEC Chairman Kennedy continues to talk of $3 billions of refunding along the lines of the Swift and Pacific Gas transactions, expects it to prime the pump for new financing. Investment bankers still have in mind the false start of last July when large financing by Baltimore & Ohio and Pennsylvania was thought to mark the resumption of activities for them.

There is no gainsaying that the simplified registration rules announced by SEC two months back (*BW—Jan19 '35*) have removed another big barrier. But the delay since their promulgation, due to uncertainties about gold contracts, recalls to cautious prophets possibilities of new jams. There is mild anxiety about the capacity of investment houses to handle a large volume, deprived of banking assistance in underwritings as they are under the Banking Act of 1933. The question most frequently raised, however, is whether corporations can be induced to borrow for new purposes. They must be before a revived capital market can attain real significance as a recovery factor.

Acme

STARTER—G. F. SWIFT, president of Swift & Co. has plans well in hand for his company's $43-million refunding program—first major financing operation under the Securities and Exchange Commission's new rules. This issue is due on the market Mar. 27.

Treasury Makes a Double Play

Conservatives, inflationists are both pleased by Treasury's use of gold profit, but potentially it's deflationary.

SCORE the first 100% victory for the New Deal. It has accomplished one move that pleases everybody. Conservative financial interests and the most rabid advocates of currency inflation cheered in unison this week when the Treasury announced its plan of tapping the gold profit to pay off a block of national debt, and incidentally to retire national bank notes from circulation.

Monetary experts who bemoaned the moves that gave the Treasury $2,812 millions gold "profit," are glad to see it being used to retire debt instead of for direct spending. Admitting that appropriating it burns the bridges back to $20.67 gold, they are glad to have it all earmarked. It is no longer in the show window, inviting "inflationists" to devise plans for its use.

The Administration unquestionably had something of the same thought in mind. Bonus advocates, for example, have been in the habit of paralleling the $2.8 billions profit with the $2.4 billions needed to redeem adjusted compensation certificates.

Inflationists' Mistake

On the other hand, advocates of currency expansion laud the move on the grounds that the Treasury must turn gold certificates over to the Federal Reserve Banks to match national bank notes retired. They calculate—erroneously—that this switching of one piece of paper for another increases the credit base of the Reserve Banks.

Actual results will be inconsequential. Potentially, the credit base will be contracted rather than expanded.

The Treasury is paying off $600 millions 2% consols and $75 millions 2% Panama Canal Loan bonds. Both are "circulation privilege" issues; that is, could be used by national banks to secure national bank notes. They were the only bonds usable for that purpose until panicky conditions in 1932 suggested expanding the basis for currency issuance, at which time all government bonds bearing $3\frac{3}{8}$% and less were given a similar utility job—but only until July 22, 1935. Hence, within a few months no outstanding bonds will support national bank notes and a type of currency which was supposed to have gone out of circulation with creation of the Federal Reserve system will finally gradually disappear.

Some Treasury Funds

To retire the bonds, $642 millions of gold profit will be used, the $33 millions balance will come from general Treasury funds. Gold certificates representing the metal will be turned over to the Reserve Banks, which will issue their own notes in exchange for national bank notes as the latter flow into them in their routine operations.

This is the last of the gold "profit." The rest is allocated: $2 billions for the stabilization fund (presumably to be used sometime to retire debts unless consumed by market losses); $139 millions for direct industrial loans by Federal Reserve Banks, (only $13 millions actually used to date); $8 millions set aside to cover expected losses in melting down the metal.

Where the inflationists jump the track is in overlooking the fact that all currencies, including national bank notes, were made legal tender by the emergency legislation of 1933. In consequence, national bank notes are just as good as gold certificates in the reserve account of Federal Reserve Banks.

Issuing Power Unused

In reality, therefore, currency expansion possibilities are reduced rather than increased by elimination of the national bank notes. In the first place, the banks could have issued another $1 billion had they utilized the privilege to the limit of their legal authorization. Had the maximum been issued by the banks and put in the reserve account of the Federal Reserve Banks, it would have increased the note issuing power of the Reserve system by a net of $2,475 millions on the 40% basis of reserves required against its notes. That process of mobilizing all the notes in the reserve account would have been a simple matter. All types of currency flow through the Reserve Banks and they could have held the national bank notes out of circulation, putting out their own notes instead.

As now set up, they will have new note issuing power of only $1 billion from the gold certificates paid to them for giving out their own notes in exchange for national bank currency. That exactly equals the unused note-issuing power which has been taken away from the national banks by retirement of the currency-supporting notes.

The "New Industry" Hears News

Air conditioning steps out for a fast year with more manufacturers and customers; gas competition appears.

A GAS-OPERATED air-conditioning unit for homes, commercial buildings, and industrial plants has just been announced by the Industrial Research Committee of the American Gas Association. Bryant Heater Co. is producing it commercially and sales engineering schools are being organized in 7 cities to train a sales force.

That's the most startling news item the air conditioning industry has seen in some time.

So far, electric power has been the accepted standard in this field. Wherever electric utilities maintained a merchandising department these were the accepted allies of the manufacturers. Every installation meant a nice boost in the load; for instance, the 239 new air-conditioning units put on the lines of Commonwealth Edison Co., Chicago, in 1934 meant a load increase of nearly 7,000 horsepower.

Engineers Get Orders

Those responsible for making the gas utilities pay dividends did not like to see a new industry with such brilliant possibilities remain the exclusive domain of the electric crowd, so the engineers were told to perfect a gas unit.

The new unit is really a silica gel apparatus. Air is forced by fan through the silica gel, which absorbs the excess moisture. After being dried, it passes over water pipes for cooling, while gas heat dries the silica gel. Those familiar with the aggressive sales efforts sponsored by many gas utilities contend that the gas-operated air conditioner will become a real contender in the field.

Meanwhile, important manufacturers, already established in the air-conditioning industry, are talking of making 1935 a year of record-breaking increases in sales. Announcements of new or improved models, increased production, doubled or trebled advertising appropriations, broader promotions are the order of the day.

Commonwealth Analyzes Sales

To make sure that their ammunition will go where it does the most good, sales managers have studied Commonwealth Edison's compilation of air-conditioning sales in Chicago. That gives them a yardstick for measuring potential markets and supplies definite information regarding the type of equipment bought and the places where it was installed. It shows that, of 239 new installations made in Chicago last year, 49 were for private offices, 35 for theaters, 29 for restaurants, 26 for general offices, 24 for residences, 6 for hotels, and 5 for hospitals, while beauty shops, clothing, drug, fur and shoe stores accounted for most of the rest.

Some manufacturers say that, on the basis of orders they now have in hand and the unprecedented number of active inquiries they are getting, purchases for offices, railroads, residences, restaurants, and retail stores will be very heavy this year.

Department stores continue to be among the big buyers. Some are just getting their first installation; others, after experimenting on only one floor, are now adding capacity to take care of all selling floors. A few are extending air conditioning to operating departments, such as receiving, inspection, marking, stock, packing, shipping, office, having found that air conditioning means increased efficiency and fewer errors. Nearly 150 of the country's leading department or specialty stores today are air-conditioning converts. Among them are Bloomingdale's, Lord & Taylor, and R. H. Macy of New York, Marshall Field and Carson Pirie Scott of Chicago, Davidson-Paxon of Atlanta, Wm. Filene Sons of Boston, The May Co. and the Higbee Co. of Cleveland, Crowley, Milner of Detroit, Kaufmann of Pittsburgh, Wanamaker's in Philadelphia, May of San Francisco, the Broadway Department Store in Los Angeles.

Promote Chain Business

Some manufacturers are concentrating on the chain store market. Already, important national chains such as Sears, Roebuck, the A. & P., Kroger, Woolworth, Kresge, Walgreen, and Lerner Stores have had air-conditioning equipment installed in some of their units. Their studies of the effect on operating costs and sales have convinced them that it's a good investment and many new installations are contracted or planned for 1935. One manufacturer who is unusually well posted on production and sales figures states that, while chain stores put about $2 millions into air conditioning last year, they are good for five times as much in 1935.

Some big orders are expected from the railroads. From only 648 passenger cars air-conditioned at the beginning of 1934 the total was boosted to 2,526 by the end of the year. With the Western lines planning to have all cars on important trains conditioned and many important Eastern lines committed to the same policy, *Railway Age* predicts that summer will see nearly 6,000 air-conditioned cars in service. Pennsylvania Railroad has already announced that equipment to be installed within the next few months will push the total of its air-conditioned cars to 887, enough to take care of through-train service over the whole system.

Many manufacturers, well known in other industries, have extended their activities into this field or are broadening its application. For instance, Fairbanks, Morse & Co. late in 1934 announced 2 cabinet type models under

Business Week

MEATLESS MEAT DEPARTMENT—With no steaks or chops in sight, customers at this first ultra-modern unit in the new Kroger-sponsored Grocery Guild chain (*BW—Mar9'35*) select their meats from photographic reproductions on the wall, guided by price lists on the counter. Purchases come fresh from the refrigerator in the rear of the store. Upholstered stools enhance customer comfort.

the trade name "Ortho Clime" for year-round service, and is now actively building distribution. Worthington Pump & Machinery Co. acquired control of Carbondale Machine Co., manufacturers of air-conditioning and refrigerating equipment. McCord Radiator & Mfg. Co., licensee under patents owned by Shell Union Petroleum Corp., now offers an air-conditioning system for motor passenger buses which is also adaptable to truck or trailer application. Century Electric Co. has just announced the Whitaker-Upp electric power system for truck air conditioning and refrigeration.

Oldtimers predict that concerns already well-established and successful in other fields of production will have to supply the backbone of future development and growth in air conditioning. They hold that, of the new concerns that are now staging a Klondike gold rush to get into the business, only a few will survive. They contend that the automobile builders' rush of 1908-14 and the radio-set makers' craze of 1921-25, with the tremendous wash-out of all the weak sisters that followed, provide the precedent which the air-conditioning industry will follow.

Free Laundering

New York store's offer of a free laundering with every dress goes over big—even with the laundry.

ANY new sales stunt that actually helped to sell cotton dresses—thousands of them—to the sophisticated women of New York may well be considered worth copying by any department store or specialty shop that wants to make a big splash and—can get a local laundry of good repute to "carry the freight" in the hope of catching some new customers out of the tieup.

Stern Bros. department store initiated the sales stunt, advertised cotton dresses at $2.95. They were just very good value for the money, made of pre-shrunk, fast-color cotton dress materials in current fashion. Now when New York women buy anything that has to be laundered their first question is, "How will it stand up when it's sent to the laundry?" Because that's where a good percentage of them send their "things,"—to a big commercial laundry.

A Hot Laundry List

To prove that the dresses could stand just such treatment, Stern Bros. had some of them laundered several times and put them on display. Then, to quell all further doubt, it offered the first laundering free of charge. But, this last seemingly liberal offer (saving 25¢ or 50¢ depending on the service) cost Stern Bros. nothing, because the Carolyn Laundry agreed to launder each dress free—once—planned to follow through on its charity and try to capture some steady customers.

No—the chances for chiselers to get several free launderings of the same dress were practically nil, for a special printed tag sewn into the garment by the makers was removed when it got to the laundry the first time and after that, well—no tickee—no free laundry.

The stunt worked so well that the original order, covering a quantity of dresses (in 4 figures) had to be duplicated, more than once. And the laundry says that it's mighty inexpensive advertising.

International News

CHISELING CHARGE—Broken windows and overturned cars were routine events of the day when 10,000 workers in San Francisco cleaning and dyeing establishments "walked out" in protest against the price-cutting—and wage-chiseling—activities of 1,400 operators whom they charged with code violation.

Hupp Hurrah

Hupmobile makes its customers its salesmen, begins promotion drive.

EMBARKING on a program of high-pressure promotion, the Hupp Motor Car Corp. has just announced as its first merchandising move the adoption of a modified version of the age-old chain-selling idea. Described as "an adventure in profit-spreading" by its sponsor, Archie M. Andrews, Hupp board chairman, the plan seeks to deputize as Hupmobile salesmen all the quarter-million motorists who drive Hupmobiles.

To all those car owners who send in the names of 4 prospects, the management will send "a trifling gift—a flameless cigarette lighter." If any of the 4 actually buys a car, the man who "nominated" him will win a berth on the Hupp payroll at $5 a week for one month—$20 in all. On such sales, both salesman and dealer get full commission.

Second stunt on the Hupp promotion calendar is a "pageant of transportation." Early in May, 1,000 new Hupmobile buyers will ride streamline trains and airplanes to Detroit, will celebrate there the aerodynamic nature of modern transportation, and after the speeches by leading authorities in the transportation field will drive their own new cars home. Mr. Andrews' high-powered promotion schemes have aroused considerable interest—and criticism.

Troppers

Tropic-type, white pith helmets will be pushed for summer wear.

TO HAT manufacturers the threat of nudism is an old story. For hatlessness came into vogue long before nudism was practiced by anybody other than Mr. Minsky's strippers.

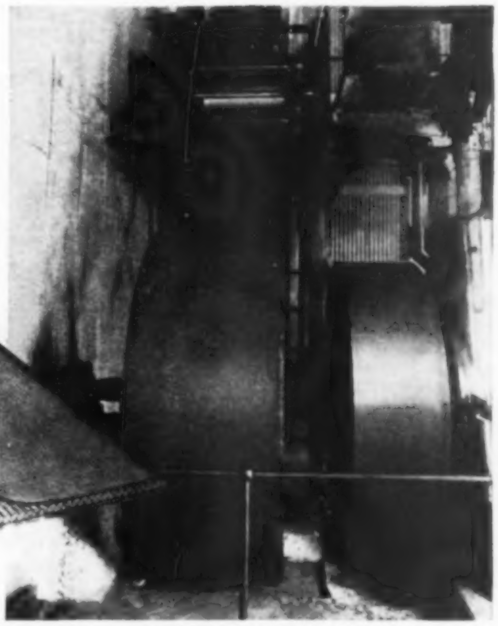
Now, however, the Hawley Products Co., of St. Charles, Ill., thinks it has the answer to the mad hatters' problem. Hawley calls it the "Tropper." Which is a contraction of "tropical topper." Which in itself is fancy language for a white pith helmet of the type popularized by Clark Gable and others who have ventured forth on cinematic safaris.

Jess Hawley, the famous football coach who hopes to put the American male population all under Troppers before the summer is out, got his inspiration at the 1934 World's Fair, where two-bit helmets got quite a play.

Right now, Mr. Hawley's factory is running 24 hours a day preparing for a summer demand stimulated by advertising. Aside from their light weight, Troppers boast 2 big sales features. They start at $1, come in only one size, for an adjustable sweatband takes care of cranial irregularities.

They used to tear down drives—even remodel walls to get the low stretch and high flex life of Goodyear COMPASS CORD ENDLESS BELTS—

BUT NOW YOU CAN MAKE THEM ENDLESS RIGHT ON THE JOB!



A problem for the G. T. M.
—how could an endless belt be installed here?

THE best proof of the savings and spectacular performance which Goodyear COMPASS CORD belts have been delivering is the trouble a wise man would take to install them.

Experience showed that—once installed—they outlasted other belts by as much as *ten to one*.

So, when necessary, plants tore down drives and tore out walls to put this money-saving belt on the job.

But the G. T. M. (Goodyear Tech-

The Goodyear patented splice — notice how cords are dovetailed when ends are put together. No chance of splice failure here

nical Man) wasn't satisfied to let it go at that. There must be some way—he figured—to settle this difficulty—some way to install the belt so it wouldn't have to be tailor-made for every drive.

Simple, when you know how

So he put the problem up to headquarters, and now we announce the answer—a *patented vulcanized splice*—with complete instructions and equipment for making these belts endless on the job.

How this is done—how cords can be dovetailed together—is shown by the diagrams pictured here. And the result—installed on the drive—is still an *endless* belt, with all the advantages of *long life, freedom from ply separation* and *low stretch* which make the Goodyear COMPASS CORD belt *the first major improvement in belt design in fifty years.*

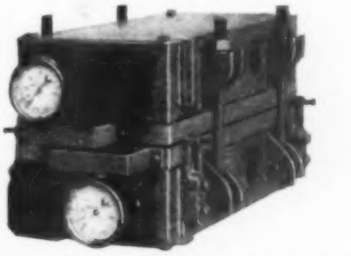
How COMPASS stands up

The case histories of this spliceless, plyless, long-lived belt include many such records as this: "53 months unfaltering, trouble-free service on a pulp mill beater drive—*ten times the service of previous belts.*"

"33 months on an oil field pump drive—without service interruption—and still going strong. Previous belt broke five times in less than 5 months—total life only one-sixth the COMPASS Belt record."

Such advantages are available on any drive, now that COMPASS Belts can be made endless on the job.

Why not have a talk with the G.T.M.? Just write to Goodyear, Akron, Ohio, or Los Angeles, Calif., or call your nearest Goodyear Mechanical Rubber Goods Distributor.



This special vulcanizer has been developed, available through Goodyear, through Goodyear distributors, or it can be purchased by customers for their own use

THE GREATEST NAME IN RUBBER

GOODYEAR

BELTS • MOLDED GOODS • HOSE • PACKING

Non-Refillable Bottles

The necessity of thwarting the bootleggers has mothered an ingenious litter of one-time liquor bottles.

REPEAL of the 18th amendment was expected to boost the glass bottle business to record-breaking levels—and did. But it's the bootleggers, still doing business, who are responsible for the current unprecedented demand for bottles and closures that either prevent refilling or, at least, make it inconvenient and difficult.

Since the American public has become brand-conscious, under the influence of constructive advertising, bootleggers have found it difficult to unload large quantities of their "product" under wild-cat names and unknown brands. Their activities in legitimate marketing are limited also by the fact that, under federal regulations, no bottle manufacturer is allowed to deliver bottles without a government permit. These factors plus the ease with which refills of well-known brands can be sold to unscrupulous or unsuspecting dealers, have made the recovery and sale of thrown-away liquor bottles and packages a regular business, in which the most popular brands bring fancy prices.

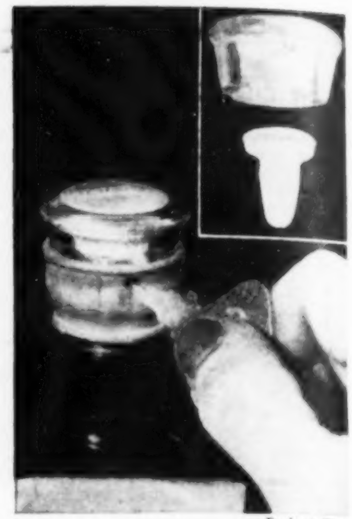
With reliable distillers interested in any device that protects the consumer—and themselves—every manufacturer of bottles or closures is busily experimenting with some new neck or gadget. Hundreds of free-lance inventors are showing up with tricky caps and whatnot. Only a few have survived practical tests and are now on the market.

Under Lock and Key

Of these the Yale "locked bottle," offered by Yale & Towne Manufacturing Co., has been pronounced by many as the nearest thing to a bootlegger's nemesis. This bottle is provided with a flare-out neck and, as turned out by the original bottling plant, it carries an inner porcelain-topped stopper and a hermetical seal applied to close the chamber above the stopper. The outside of the neck is covered with a snugly fitting elastic skirt which carries a black dot mark. When the bottle is to be opened the Yale key, which comes with it, is inserted at the dot through the "skirt" into a slot cut into the neck of the bottle. A twist of the wrist takes the entire top of the neck off clean without chips, while the elastic skirt encloses the newly uncovered lip. Then remove the porcelain-topped stopper and pour. With the seal removed and the flare-top of the neck permanently amputated, no bootlegger can make the bottle look new.

Colt's Patent Firearms Mfg. Co. has also brought out a double seal which is expected to increase the troubles of the refill artists. An inner molded cap which actually seals the bottle has 2 sharp-toothed metal wheels, so inserted that they permit screwing on the outer protective cap. However, when the latter is removed, the metal wheels are engaged and cut a hole in the sealing cap which renders it useless. Another maker is preparing for production a bottle which carries a teat of thin glass on the neck. This can be knocked off by a pencil tap, leaving a hole that foils the refiller.

Among the manufacturers now producing or approaching production of refill-defying bottles or closures are Armstrong Cork Co., Brockway Glass Co., Diamond Glass Co., Fairmount Glass Works, General Glass Corp., and Salem Glass Works. A number of other important concerns in the field admit that they are getting ready to make a bid for this business.



Business Week

100% BOOTLEG PROOF—This locked liquor bottle can't be tampered with after it leaves the distillery and can't be refilled after use, contends the Yale & Towne Manufacturing Co. Once unlocked, the cap (inset, top) can't be put back on the neck. The stopper (inset, bottom) preserves contents while bottle is in use.

Wine and Liquor Show—Private

League of Distilled Spirits Rectifiers looks over some old problems and some new lines at Chicago show.

FIVE THOUSAND manufacturers and wholesalers in the liquor and wine trade, meeting at the Stevens Hotel in Chicago this week, wrestled with the problem of lack of coordination between 5 separate code groups. Fifteen thousand retailers smacked lips at beautiful displays in the trade show—until they learned the bottles contained brightly colored water. The public, for the first time, was told: "No admittance."

Called by the League of Distilled Spirits Rectifiers, the convention was designed to answer some of the questions raised in the first year of prohibition repeal. A year ago, the industry was intent upon getting business in a hurry, and cared little about paying the piper. It met then to show the public what it had to offer.

Last year's show was public and attracted "bar flies"—also much criticism. About 70 exhibitors participated and "samples" were prominent. This year, there were 112 exhibitors, and bottles were largely display and undrinkable. "Sampling" was confined to hotel rooms. As a safety measure, however, Andy Frain's famous corps of uniformed ushers was on hand to "show the way."

Retailers had some 3,000 brands to pick from, many new ones, but few new kinds of drinks. One maker introduced a gin liqueur "after an 8 months' study of drinking habits," another made things easier for the tired host by a wider line of ready-mixed drinks.

The show also revealed that many manufacturers were seeking wider markets. Consolidated Wine & Spirits Co. of Los Angeles, heretofore active largely on the West Coast, sent a carload of whiskies, gins, liqueurs, and brandies to Chicago, a step in a move eastward.

Container companies stressed attractiveness and utilitarian values of cartons. A Detroit concern, Union Distillers Co., presented its "cocktail bar," an easily carried carton displaying 5 bottles containing ingredients for making 50 kinds of cocktails. Bottle makers went to the modernistic; cork and cap manufacturers had new and distinct lines. Makers of equipment presented machinery designed to accelerate operations.

John Public's troubles were not forgotten. Robert Burns Hospital Laboratories of Chicago drew wide interest in its display of "Wham," for that morning-after feeling, guaranteed to "restore faculties to normal in 20 to 30 minutes." For the man with an occasional "hangover," there is the one-dose 15¢ size; for the constant tippler, there is an economy package for $1.50.

Out of this convention it is hoped to

develop organization within the industry. Five separate codes—importers, distillers, rectifiers, wholesalers, and vintners—have, so far, resulted in nothing but disruption and many jealousies. The rectifiers, with a quarter billion dollars investment at stake and doing about three-fourths of the liquor business, are trying to point the way.

Tobacco Week

Hartford's big tobacco marketing event indicates Connecticut industry has a new lease on life.

HARTFORD'S Tobacco Week, first of the events to run on a full big-time schedule, has just closed—with a bang.

Connecticut growers of fine shade-grown and other tobaccos used in the manufacture of cigars have had tough sledding in years past. Cigar consumption was dropping off steadily. Chain store competition made life miserable for many small cigar dealers whose ultimate demise consequently reduced the opportunity for small cigar makers and skidded many of them into oblivion. The advent of cigar-making machines cut their opportunity still further so that gradually the bulk of cigar making was concentrated in the hands of the big manufacturers (*BW—Feb11'31*).

These big fellows not only wanted to buy in big lots but some even acquired large acreage and grew their own tobacco or bought the crops while in the curing sheds and did their own packing. Small growers had fewer opportunities to sell, often were victimized by shrewd buyers, frequently had to take whatever price they could get.

The market week just closed demonstrated that, since tobacco growing has come under the protecting wing of the AAA, Connecticut growers, big and little, are reaping the benefit of the crop growing and marketing plans that leaders in the industry had in their safes for years but could not execute because government cooperation was lacking.

Smooth Operation

Acreage quotas for 1934 were approved by AAA. Sorting of the crop into government-approved grades proceeded, as usual, under the supervision of the Department of Agriculture representatives. Prices were determined on the basis of 1933 averages plus increases for higher materials costs and wages—an average boost of 15%.

When the bell ended the last day of Tobacco Week, growers found that most of the 1934 crop had changed hands at prices ranging from 15¢ to \$5.25 per lb., so they were well satisfied. The dozen or two men who had done most of the buying were satisfied, too—except one who waited too long for prices to break.

HE IS WORKING TO IMPROVE YOUR 1940 MODEL!

THIS photograph shows you a General Motors research man working on a machine which doesn't yet exist.

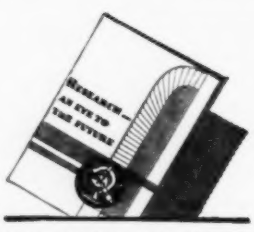
Under his hands is the beginning of a device to take *5000 pictures a second* of what goes on inside an automobile engine.

He will take those pictures, if and when his machine is perfected, through quartz windows inset in the engine's cylinder walls.

And then he will unravel new facts about engine operation—compression, fuels, ignition—which will set General Motors engineering off on another spurt for others to follow.

There are more than four hundred General Motors men like this who live and work in the laboratory *five to ten years ahead* of current engineering thought.

They feed new and priceless knowledge—of metals, designs, devices, aerodynamics—to the *six independent engineering corps* responsible for the development of the six General Motors cars.



Just issued! This absorbingly interesting book tells in untechnical language how Research works and what it is doing. For your copy, address General Motors Research Division, General Motors, Detroit

On that advanced scientific foundation is based the progress of General Motors each year as builder of the world's foremost cars.

As our final guidance, by replies to more than a million letters sent to car owners every year, the public itself counsels what it wants those cars to be.

Facts like these do more than confirm progressive leadership; they tell you why your choice should be a General Motors car—product of the foremost engineering, scientific and technical ability in the industry, and of a policy which solicits THE PUBLIC INTEREST *as its inspiration and its guide*

TUNE IN!
General Motors Symphony Concerts
Sundays 8 P. M., E. S. T.
N. B. C.—Basic Blue Network

GENERAL MOTORS

A Public-Minded Institution

CHEVROLET · PONTIAC · OLDSMOBILE · BUICK · LA SALLE · CADILLAC


"AN EYE TO THE FUTURE— AN EAR TO THE GROUND"
— this describes General Motors' policy, a policy by which the public is given *what it wants in better cars* year after year, and yet is safely protected against ill-timed or dubious experiments

For Realty, See Your Banker

New York's distress real estate is feeling effects of a rehabilitation program by mutual savings banks that is something new in banking history.

NEW YORK real estate is being pepped up and its cheaper residential sections dressed up by something new in property management—rehabilitation of dilapidated structures acquired through mortgage foreclosure. The staid old mutual savings banks, ultra-conservatives among the financial institutions, are providing the new spark to real estate activity which holds promise of transforming one of the knottiest problems of the national real estate snarl into a far happier situation, for themselves and for owners of equities.

East side, West side, all around the town's tenement sections—to a smaller extent in better areas—antiquated structures are shedding "mud-packs" of scaffoldings and tarpaulins to blossom forth in attractive new exteriors. Modern fronts are matched on the inside with smaller apartments, new plumbing, heating plants, elevators, refrigerators. Sometimes conversion extends through to garden courts that replace erstwhile back yards or fire escape wells.

Only incidentally, more sales by the savings banks are showing up in real estate transfers, although not fast enough as yet to offset the properties still coming into their hands through foreclosure or quit-claims from mortgagors relinquishing possession.

But sales are not the initial purpose behind the rehabilitation of New York's foreclosed real estate. They are by-products of an underlying change in mortgage financing in the city.

Broke With Tradition

More than any other center, New York has suffered in previous depressions by the dumping of property taken in on mortgages by "institutional" real estate interests. The bulk of its $8 billions of mortgages are owned by institutions, saving banks, insurance, trust, mortgage companies. The savings banks are the biggest factor.

Traditions built up in 100 years of mortgage banking had made it a reflection upon a saving bank's management to have the real estate owned account get out of hand, even in the depth of world-shaking depressions. Consequently, to acquire real estate—as they must with 50% to 70% of their assets invested in mortgages—meant dumping it in a crisis. Following that course, they would set up one of those vicious cycles of price-breaking transactions so familiar to margin operators in stocks back in 1929-30.

A salting of radicals among newer-day savings bankers, supported by forward-looking real estate executives from other mortgage institutions, decided that the 1930s need not repeat experiences of '93, '57, '37, and the other depressions that punctuated the last century; decided that corporation investors with greater resources than individuals for holding and remodeling property should be constructive instead of destructive this time.

Organizing in midsummer 1933 as a mortgage conference, this group undertook to sell a new philosophy to corporation mortgagees. Their platform read: Real estate is a good investment, better held than sacrificed.

Improvement Has Helped

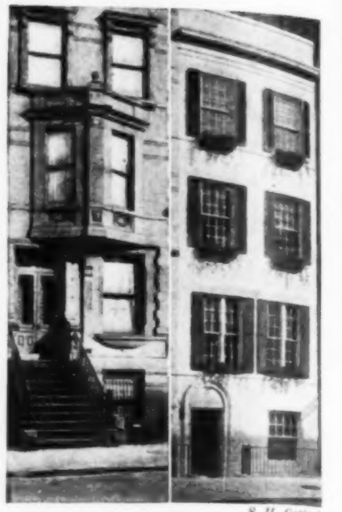
It was, still is, an uphill fight. Mortgage lenders, with more owned real estate on their books than ever before in history, find the impulse to liquidate almost irresistible. The spotty market improvement of the last few months may prove the determining factor in success of the "standstill" campaign.

Helping the conference program has been the liquidity given mortgages by the RFC and the Savings Bank Trust Co., special discount bank created by the savings banks which has stood by (practically unused) with $107 millions of capital and a line of credit with the RFC to bail out any bank that needed quick cash. But none has needed extra cash. Depositors have relied upon government guarantee, their abiding confidence in "mutuals," have not been critical of mounting real estate accounts.

Property rehabilitation followed from the policy of holding real estate until a better market developed. Many properties were uninhabitable, some boarded up, when they reverted to mortgagee. They had to be remodeled to pay carrying charges. Most sales have resulted because a rebuilt house filled up with rent-paying tenants and attracted buyers. A few have been sold on the basis of architect's plans, renting agent's schedule of prospective rentals after modernization to be financed by the banks.

Policies as to how much new money will be put in to save original investment vary among institutions and according to the type of property. Emphasis is on the decadent structures, many of which date to the post civil war reconstruction era—the "cats and dogs" of real estate.

The insurance companies, owning more of the larger apartment buildings, generally find the market is not yet ready



S. H. Gottscho

BANKING TRANSACTION — The house on the right used to look like the one on the left. Then Bowery Savings Bank, to which it came by foreclosure, turned it over to architect Charles H. Lench for a modernization job. The 8 apartments were rented in 3 months—the remodeled building put on a paying basis.

for that type of property. Rent schedules will not yet justify extensive new expenditures. There is still little demand for large units. Some doubt if the market will be broad until the guaranteed mortgage situation (*BW—Jan5'35*) has been cleared up and public financing of real estate is again feasible.

New, modern buildings of moderate size ($40,000 to $60,000 annual rental income) sell readily, would have returned the mortgagee's investment at any time, but, for once, the owners who have come into possession of such properties through the courts are not throwing them on the market.

Own 5% of Manhattan

Lending institutions are calculated to own 5% of Manhattan real estate—$500-odd millions worth. They acquired 1,104 parcels valued on the tax rolls at $159 millions in 1934—two-thirds of all foreclosure conveyances of that year and a new high in number and value.

Real estate management has become one of their major functions but most of the larger lenders restrict themselves to supervision, relying upon established real estate agencies, maintenance organizations, to handle properties. Direct operation is necessary in the worst properties where revenues will not provide agents adequate commissions. Only a few have created complete real estate departments, opened branch offices that keep convenient hours for tenants and prospective purchasers, have their own maintenance staffs.

A constructive policy, including elimination of blind competition between owners of distressed real estate,

is giving promise now of dollars and cents benefits. Cash income from residential real estate is 10% to 15% higher. Only scattered instances of improvement are reported in business property.

The New York County Register disclosed 135 bona fide sales transfers in January and February, 1935, against 137 in the same 1934 months. Prices paid this year totaled $10.6 millions, 86% of assessed valuation, whereas last year sales brought $15.5 millions but only 77% of assessed valuations.

New Cable Code

American Trust Co. of San Francisco devises 3-letter code system, with 40% saving in cable costs.

WHEN cable companies reduced the length of code words from 10 letters to 5 at the beginning of last year, without reducing the cost per word, brokers and bankers protested in vain (*BW—Mar 24'34*).

After more than a year of waiting, American Trust Co. of San Francisco now comes forward with a code of its own which makes 3 letters do where 5 were necessary before, saves one word in every three, and thus cuts the cost of international messages approximately 40%. In addition, the new code provides an absolute check on accuracy of transmission. The American Trust Co. started filing under the new system this week.

The following example illustrates both the word-saving and the self-checking features of the new system.

Message to be coded:

"We have increased our Letter of Credit No. 5741 by US$3,840 and the expiration date has been extended to Apr. 30. All other terms and conditions remain unchanged except shipment from China to Los Angeles Harbor: partial shipments are not permitted. Please notify beneficiary."

Coded according to the old 5-letter system:

DRWYA OEJYJ JIRIU EVOUT ALKNI MIXBY IEODM IEXRX NLPOA

Cost: San Francisco to Shanghai, $3.96.

When sent by the American Trust Co. 3-letter code system, the message reads:

VCZJD VFNTB ARGYA JYAMT.

Cost: San Francisco to Shanghai, $1.75.

In this new system, although the letters are grouped in fives for transmission, the letter units are threes. Every 10 letters constitute 3 words of 3 letters each. The tenth letter is the check.

The new code, known as the Meisenbach Three-Letter Code System, covers general business, as well as banking.

Thunder Over NRA

Recovery Administration goes to its own hearing in a storm of criticism darkened by legal clouds. But Mr. Richberg has 17 ways to clear the atmosphere.

THE petted darling of labor and of industry alike in the summer of 1933 and for many months afterwards, NRA is now being treated with all the cruelty and scorn once reserved for the stepchild in the old melodramas. Its erstwhile proud papa, General Johnson, calmly calls it "as dead as the dodo"; the industrialists who once trooped to Washington in droves and all but begged Uncle Sam to take over their businesses and run them, the union labor leaders who hailed the mewling infant as a Daniel come to judgment—of them all, none remains so poor to do it reverence. None, that is, excepting the several thousands whose jobs, good and mediocre, have depended and still depend on it—those who have received (and well earned, be it noted) those $42 millions that have been expended on code administration. A hearty vote this week in New York in favor of NRA was interrupted rudely by one inquirer who asked for a raising of hands to show how many were paid executives of code authorities; the proportion was about 2 to 1.

First Witness

The NRA investigation is on, and Donald Richberg has been parrying the questions of senators notably well—rather too well, some note, for the solons do not like to have their misinformations brought too clearly into the light, even of so famous and disarming a smile as Mr. Richberg's. The Wagner Labor Relations Bill, battening on the alleged flaunting by industry of the Brahmin-like Article 7-a (collective bargaining, in case you have forgotten), is being urged eloquently in another Senate committee, and the A. F. of L. talks direly of unlovely and "unpreventable" strikes if this bill is not passed, majority rule especially. Senator Borah is again sure that NRA "fosters monopolies," and that the small business man gets the worst of it; and he does not like Mr. Richberg to show that this isn't exactly—or, at least, not generally — true. Senators Nye, King, McCarran, speak bitter words, and Senator George sees the end of codes and NRA, and all.

Hanging over this carnage of yesterday's ideals are the grim clouds of the adverse court decisions: Judge Nields on Weirton, Judge Dawson on coal, Judge Borah on the New Orleans box case, Judge Faris on the St. Louis garment case, the state decisions that the New York and Wisconsin state NRA's were unconstitutional. There's poor comfort in the fact that these are all lower court rulings. The Supreme Court listened this week to arguments in the Spielman motor case, which deals with fair trade practices (trade-ins) and in just one month will listen to the Belcher Lumber case, coming up from Judge Grubb, strict Alabama constitutionalist. The Belcher case involves the very heart of NRA's constitutionality, the right of Congress to touch on labor conditions in a manufacturing industry; Weirton may yet be voluntarily tied in with this case, to get a quick, all-around decision.

Congress can well and properly hold off legislation until there is a settlement of the final issue, with a view to (*a*) revising NRA to get around the legal barriers if they are sustained, (*b*) scrapping the whole NRA on the ground that it isn't legal and has done its job anyway, so far as it ever can, (*c*) taking this occasion to set up the "permanent NRA" which will take on the job of cleaning out its own Augean stables and putting in the permanent white-enamelled perfection of the future, or (*d*) making a national labor law (the legal difficulties daunt but few, in the planning stage) and putting trade practices back under the anti-trust laws and the Federal Trade Commission, with revisions of its act to make it administrative rather than almost entirely judicial and punitive.

Biggest Legal Problem

Mr. Richberg, in his important testimony of Mar. 7, touched on the crux of the legal problem. The legal problems of organizing and enforcing NRA were the "chief hazard" from the beginning, he admitted. Everybody agrees on the value of eliminating unfair trade practices and labor oppression, "but the problem before the Congress is primarily this: In what manner and how far can the authority of the federal government be exerted to accomplish these ends?" He held that Congress could not possibly pass, nor the executive enforce, laws setting out in detail the trade practices and labor procedure of thousands of industries. There had to be a gradual evolution of a "law merchant" under the code system. And here he brought in the key to the Administration's defense of NRA's constitutionality. It is finely and clearly done:

"Those who have not recognized the necessity for such a gradual development of industrial law do not understand that the validity of a large part of our law depends upon the support of public opinion. When the Supreme Court

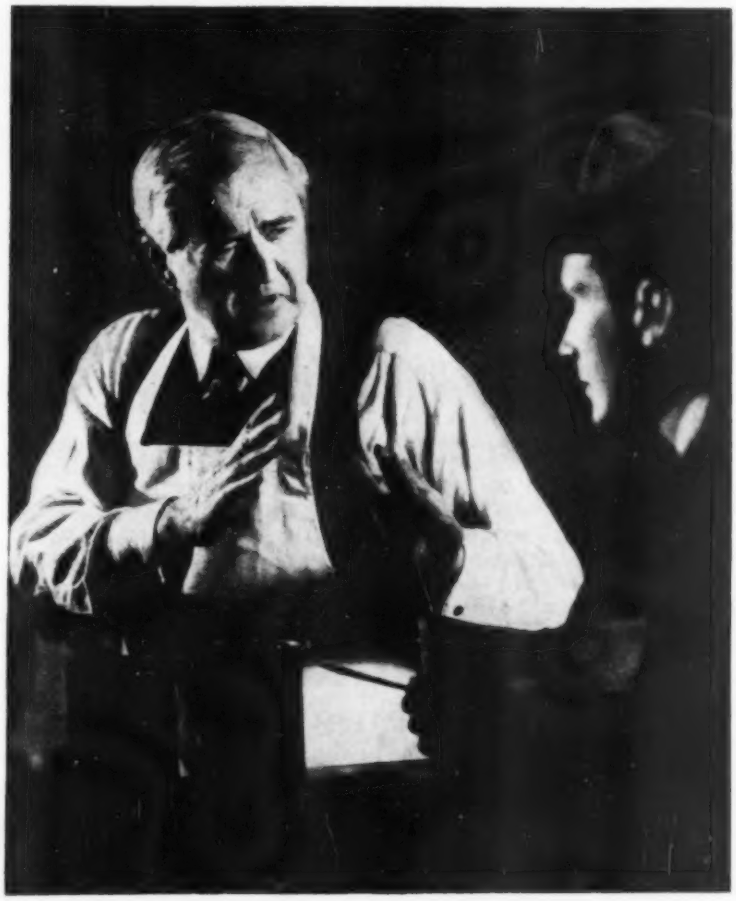
Keystone *Acme* *Wide World* *International News* *Keystone*

"NO" MEN—These are the judges whose anti-New Deal decisions during the past fortnight have dealt the Administration the most serious judicial blows in its 2-year history. Left to right: Judge Charles I. Dawson of Louisville who refused to enforce the bituminous coal code; Judge Marvin B. Rosenberry of the Wisconsin Supreme Court who held the state NRA act invalid; Judge W. I. Grubb who restrained the "illegal proprietary operations" of TVA; Judge John P. Nields of Wilmington who held Section 7-a invalid in the Weirton case; Judge Wayne G. Borah of New Orleans who scored wage and hour provisions of the lumber code. Other older cases involving NRA constitutionality are already before the Supreme Court.

"..and the way it's been moving

I'LL NEVER

NEED ANY MORE"



Time for some high pressure selling? No. Time for some high powered thinking. What this salesman needs is *ideas.* What this dealer needs is *help.*

Modern salesmanship only begins with selling the dealer. The real job is to help the dealer sell the consumer. On his shelves are hundreds—even thousands—of items. To get the breaks, your product must make its own breaks—be so shrewdly priced, packaged, styled, displayed, merchandised, that it sells with little or no dealer dependence.

We have noticed that, faced with a marketing or merchandising problem, manufacturers of packaged goods have thought of the American Can Company as a logical source of help. They have realized, perhaps, that to build successful packages and point-of-sales displays we have had to know something about markets and consumers, and the whole broad field of retail merchandising. They have assumed that with our daily contact with many and varied marketing problems, we must have quite a bit of information.

Our experience-background, our studies and other data, have been of value. Possibly they can be for you. We suggest that you drop a line to our Sales Promotion Department. We should be glad to talk things over with you and contribute what we can.

Why does American Can Company concern itself with problems of retail merchandising?

Our reasons are the same as yours. *We* cannot sell more packages than you sell for us—*you* cannot sell more than the consumer buys. The consumer is our common goal.

AMERICAN CAN COMPANY

230 Park Avenue, New York

is called upon to answer the question, 'Is this law a reasonable exercise of a power clearly conferred?' it is not the individual opinion of a single judge, but the preponderating public opinion, which should be decisive." He held that the facts, and not theories, on the results of economic actions in varying industries should determine the decision as to what properly "affects" interstate commerce—and thus comes under the purview of the federal government and not of the states alone, under that clause of the Constitution that gives Congress the right to legislate regarding "interstate and foreign commerce."

The 17 Points

The 17 points which Mr. Richberg set down as the basis on which the new NRA bill should be built foreshadowed almost exactly the terms of the Administration bill as later proposed. They recommended: a clearer definition of the authority conferred on the executive in making codes; a 2-year extension; free exercise of industry initiative in making codes, but sharper definition of the public powers conferred on code authorities; voluntary codes for industries actually engaged in interstate commerce; findings of fact and standards in approving codes; Presidential right to impose conditions on and amendments to codes; Presidential right to impose limited codes with labor provisions and rules against notoriously unfair trade practices; Congress to fix labor provisions, but with considerable flexibility allowed; provisions for financing code authorities by levies on the whole industry; voluntary agreements like the PRA continued as permissible; permissive use of labels and insignia (like the Blue Eagle) permitted; freedom from anti-trust laws, but only if codes themselves meet certain severe requirements to be written into the new NIRA; retention of Section 7-a; clarification of terms; provision for continued coordination with AAA and oil control with certain revisions; considerable improvement in enforcement machinery, with punishment by fine only, making Federal Trade Commission methods (cease and desist orders, consent decrees, etc.) available for NRA enforcement; automatic extension of all codes (90 days is proposed) to permit adjustments to new rules after the present NIRA has expired on June 16, or has been superseded by the new act.

Harris & Ewing

TILL NEXT JUNE?—Donald R. Richberg heads the long procession of witnesses scheduled to appear before the Senate Finance Committee at its hectic hearings on NRA. No longer responsible for administration, S. Clay Williams, former NIRB head, is an interested listener at the crowded sessions.

Oil Independents Get a Break

Ickes issues order prohibiting exclusive retailing of lubricants and allowing retailers to cancel contracts.

PLUGGING along with that undeviating determination so maddening to his enemies, Oil Administrator Ickes last week issued a ruling vital to gasoline producers and retailers. It prohibits enforcement of exclusive conditions in the retail sale of lubricating oil. Service stations may continue to handle gasoline exclusively on existing contracts, but no new contracts may be written, and the retail dealer may now cancel his exclusive contract on 30 days' notice. The nettlesome question of legality of such agreements is tossed over for the Federal Trade Commission to wrassle with.

The latest Ickes proclamation is a decided victory for small independent producers of lubricants, especially those of Pennsylvania. Such companies, having no gasoline to offer in the race for exclusive outlets, found themselves stymied by the giants who produced a complete line. The scramble by the big fellows for gallonage led to avid bidding for exclusive retail agreements. By 1933 it was estimated that 65% of the retail outlets were under exclusive contracts.

"Small independent marketers of petroleum products other than gasoline," Mr. Ickes said, "have found it difficult and at times impossible to obtain retail outlets for their products. Motor fuel is unquestionably the sales leader. If the larger companies continue to write exclusive dealing contracts and thereby give the retailer the choice either of accepting their lubricating oils and other subordinate products or of using a brand of gasoline not having large sales acceptance, independent marketers of lubricating oil and the like will suffer."

Rental Joker

Independent marketers of gasoline get less of a break from Ickes' recent order. The option given to the retail dealer to abrogate his exclusive gasoline contracts is far weaker than the explicit prohibition against exclusiveness in lubricants. Mr. Ickes held that the independent marketers of gasoline did not submit evidence of damage by exclusive contracts as conclusive as that shown by independent marketers of lubricants. The gasoline independents apparently get the benefit of a section in the order preventing price differentials in favor of exclusive dealers. The joker here is that nothing is said about rentals. Thus a supplier could leave his price margin the same and give his exclusive retailer a better rental allowance. A new supplier's only chance would be to offer a higher comparative price margin.

The entrenched powers are not altogether happy about this phase of the situation. It may open the way to some plain and fancy blackjack tactics by the retailer. For example: he might get several companies bidding against each other for his contract. The independents' offer of better margins could be played

against the demand for higher rentals from the present exclusive supplier. Application of the 30-day cancellation could be threatened to force terms on the concern with the contract.

Broke Deadlock

Mr. Ickes' action does not attempt to settle legal arguments; it was taken simply on the ground that unfair methods were shown "within the intent of the NIRA and the oil code." It proves, however, his ability to take the snortiest bull by the horns. The oil industry generally was concerned over the increase of rentals on exclusive contracts, whether lease and agency or lease and license. Entrenched "ins" and attacking "outs" could not compromise. Some weeks ago the planning and coordination committee deadlocked, 11 to 11, on the issue.

In the pre-code era, independent refiners and marketers had protested such contracts as violations of the anti-trust laws and asked action by the Federal Trade Commission. Before that tortoise-like body could act, the hurly-burly of code preparation came on. The code fight produced a compromise—Rule 19. This declared that the administrator could act if the Federal Trade Commission failed to make a decision within a certain time. The FTC admitted it could not rule in the period set.

The ruling on exclusive dealing contracts does not apply where the supplier owns the retail facility "in fee."

Tender Board Back

Federal valves close on hot oil and world's shortest pipe line.

Reclothed with power by the Connally Bill (*BW—Mar2'35*), Oil Administrator Ickes swiftly moved in on the hot oil boys of East Texas with a new Federal Tender Board. Again, oil in interstate commerce must have tender certificates to show that it is not in excess of production legalized by the states.

The move was none too soon. Already hot oil had reached an estimated 50,000 bbl. daily production, almost half the peak figure.

The event was signalized by the firing of another federal gun in behalf of proration enforcement. A U. S. judge in western Louisiana issued a temporary restraining order to plug the world's shortest pipe-line. This midget interstate carrier was just 32 feet long. It ran across the Louisiana line near Waskom, Tex. Gasoline trucks hooked on at the Texas terminal and, while the driver joked with friends at the Louisiana terminal, the gas flowed through to a loading rack of the Louisiana, Arkansas & Texas railway. Not only was this a neat trick for running gasoline out of East Texas; it also avoided payment of truck license fees in Louisiana.

Machines for Recovery

Rising sales and earnings show that the machinery and equipment industry is beginning to climb out of the depression. A company survey shows how.

WITH sales volume rising from 20% to 80% in 1934 compared with 1933, the machine and allied industries have changed from red to black ink, begun their march out of the depression. Some 53 companies studied by *Business Week* turned losses of $12.9 millions into profits of $24.4 millions last year. Among the 53 companies, 18 increased profits compared with 1933; 17 turned losses into profits; 14 reduced losses; while only 4 showed unfavorable trends. A representative group of these companies listed in detail in the accompanying table increased their sales by an average of 31%, while lifting earnings from a loss of $2.7 millions to a profit of $19.9 millions.

$18.6 Billions of Potential

These results hinge largely on the general improvement of business conditions of the industries to which machine builders, tool and electrical equipment manufacturers cater—which is practically all of them. Estimates by trade associations of pent-up demand for modern equipment run as high as $18.6 billions. Some of this began to loosen up last year and promises to expand further in 1935. Pressure for lower costs in the face of rising labor costs, or for better products to meet the competitive struggle, has compelled some capital expenditure in every field. Steel, chemical, food, garment, shoe, automotive, and oil industries have each contributed to the flow of orders to the machine groups. Sales of textile machinery alone are estimated at $67 millions, a 12% gain over 1933.

The strides made by diesel engine producers, of which Caterpillar Tractor and Fairbanks, Morse are representative, are already well known (*BW—Feb 9'35*). Automatic stoker makers also put down 1934 as a banner year (*BW—Mar9'35*). Machine tool builders found domestic orders gradually rising from the depths of 1933 to a volume estimated at $50 millions for 1934, a 70% increase. Here the enterprising automotive industry gave a hand and there was modest help from overseas.

Encouraged by better oil prices, the oil industry set about drilling new wells. A 48% increase in the number of wells opened over the 1933 low of 12,312 provided business for such companies as National Supply and Foster Wheeler.

Improved conditions abroad sometimes boosted foreign sales more than domestic sales were lifted by internal improvements. The record of machinery exports tells a story:

U. S. Exports	*Value in Millions*		
	1933	*1934*	*% Change*
Electrical	$43.6	$66.5	53
Industrial	55.3	98.3	78
Agricultural	12.2	21.6	76

Blaw-Knox, through a subsidiary, has booked a rolling mill for a Japanese steel company, a zinc strip mill for an English firm, plus mill machinery for Brazil. Foreign orders were reported strictly on a cash basis.

Electrical equipment manufacturers finished 1934 with the best volume of orders since 1931. The 78 leading producers booked a combined volume of

Typical Machine and Equipment Gains
(Thousands of Dollars—000 Omitted)

Company	*Earnings 1933*	*Earnings 1934*	*Earnings % Change*	*Sales 1933*	*Sales 1934*	*Sales % Change*
Allis-Chalmers	L$2,894	L$1,039	......	$13,287	$20,287	+53
Caterpillar Tractor	303	3,651	+1105	14,408	23,769	+65
Chicago Electric Mfg	22	67	+ 205	669	881	+32
Crocker-Wheeler Electric Mfg	L124	L48	......	923	1,275	+38
Cutler-Hammer	L130	66	......	3,655	5,118	+40
Fairbanks, Morse	L1,147	564	......	8,908	12,551	+41
General Electric	10,855	17,151	+ 58	136,637	164,797	+21
Koehring Co.	L168	L53	......	701	1,028	+47
Leland Electric	L91	L60	......	745	972	+30
Link Belt	217	689	+ 218	7,705	10,378	+35
Minneapolis-Honeywell Regulator	831	1,008	+ 21	4,494	5,390	+20
Minneapolis-Moline Power Implement	L1,542	L2,173	......	2,366	4,338	+83
Shepard Niles Crane & Hoist	L196	L83	......	428	621	+45
Westinghouse Electric	L8,637	190	......	66,432	92,159	+39
TOTAL, 14 Companies	L$2,701	$19,930	......	$261,358	$343,564	+31
53 Companies	L$12,900	$24,352	......	......	......	......

L Loss.

$439.1 millions compared with $325.1 millions in 1933, a 35% gain. A good share of this represented the lighter lines of products, but TVA, Boulder Dam, and electrification of the Pennsylvania Railroad from New York to Washington, plus some industrial modernization, are also included.

Westinghouse Electric, for example, had new orders exceeding $100 millions for the first time since 1931. Increases were well distributed from the heavy equipment branches to the lighter merchandise lines. During 1934 a million-dollar order for transformers for Los Angeles was awarded to Westinghouse.

Earnings Up 140%

Mesta Machine is the outstanding example of successful operation in 1934, when its earnings jumped 140% and a 66⅔% stock dividend was declared. After completing a steel mill in record time for Youngstown Sheet & Tube last year, the company looks forward to capacity operation in 1935.

Agricultural implement makers benefited by the improved buying power of the farmer. The unfavorable showing of earnings of Minneapolis-Moline-Power Implement, despite the 83% gain in sales volume, was the result of writing off more than a million of bad debts. Deere & Co. turned a $4.3-million loss into a profit of nearly $380,000.

Makers of concrete mixers, shovels and cranes—such as Koehring—profited by the spur applied to public works. They stand to gain more when the new $4 billions works relief bill gets into action. Evans Products increased profits 346% when the bulge in motor sales forced railroads to adopt automatic loaders for box cars which had been introduced in 1932. Crocker-Wheeler looks for increased activity in the air conditioning field. Worthington Pump, whose orders in the first half of 1934 were 84% ahead of the same period of 1933, acquired a plant for the production of air conditioning and refrigeration equipment.

Bigger Payrolls

Lastly, but of the greatest significance, is the gain in employment and payrolls in the electrical and machine industries. Rising from depressed levels, the gains need to be taken with a grain of salt, but they do reflect progress in recovery.

January, 1935, Gain from 1933 Low

Industry	*Employment*	*Payroll*
Electrical machinery	51%	105%
Engines, turbines, water wheels	117%	177%
Foundry and machine shops	61%	131%

Payrolls in the first group, which reflect activity better than employment at the present time, are the highest since December, 1931, while in the second group, heavy equipment, the record is the best since June, 1931.

National Copy at Local Rates

As national advertisers find their way around the differential, publishers worry about repairing rate structures; agency study traces change in national and local rates.

MAJOR thorn in the manufacturer's flesh during the last 5 years has been the inflexibility of his selling costs. To large national advertisers the problem has been one of particular distress, for advertising rates have shown little inclination to follow the general decline of approximately 17% in the price of manufactured products. (Thus, despite slight reductions, newspaper rates for general advertising still stand almost 40% above those of 1923.)

In recent years an ever-increasing number of hard-pressed advertisers have found that the tactics successfully initiated a decade ago by the manufacturers of men's clothing offered one way out. Newspapers usually have two sets of rates, one for general national advertisers and a lower one for local retailers. This rate differential, publishers argue, is justified on the ground that the local business, which is their bread and butter, is easier and cheaper to solicit. Men's clothing manufacturers found in this rate differential just the loophole they needed to achieve reduced advertising costs. They simply divided their appropriations among their dealers and sent them their national advertising to place as their own at local rates.

They Liked the Idea

To some manufacturers of refrigerators, radios, electrical appliances, auto accessories, paint, furniture and footwear that seemed like a good idea, and since the depression newspapers have published an impressive volume of the total advertising in these classifications at local rates. Not all newspapers, of course, but if one paper refused to accept copy on this basis, there were always others who would countenance the subterfuge. And, by playing one publisher off against another, manufacturers' representatives experienced little difficulty in placing their advertising wherever they wished. From the advertiser's point of view, it wasn't a perfect plan, but it was a cheap one—at least until dealers began to chisel on the appropriations "given" them and to demand the advertising differential for themselves.

However faulty, it seemed worth trying even to advertisers in the drug, food, cosmetic, and tobacco classifications, despite its awkwardness for such large national distributors. Speaking before the national Newspaper Advertising Executives Association last October John F. Fitzgerald, president of the Chicago association, listed such organizations as General Foods Corp., M. J. B. Coffee Co., Kotex-Kleenex Corp., and the Colgate-Palmolive-Peet Corp. among converts to the scheme.

As an increasing number of these large space-using clients have attempted to short-circuit national advertising rates, the concern of publishers has mounted—particularly during the past year. There are no conclusive figures on the total amount of advertising revenue involved, but Mr. Fitzgerald points out that in 1934 one Eastern newspaper lost $18,000 in one classification alone by accepting 73,031 lines of electrical advertising at local rather than national rates.

Defensive Tactics

To meet this situation, various publishers have adopted various tactics. Some of them have raised national rates, apparently on the assumption that they could thus compel other national advertisers to compensate for losses in this division of their income. Other publishers have raised retail rates on the theory that the resultant structure would thus invite less chiseling.

This week, the net effect of all these changes was revealed in an exhaustive study of national and local milline rates (rates per thousand readers) published by the American Association of Advertising Agencies. The study compares newspaper audit reports for the years ending June 30, 1933, and June 30, 1934, reveals that in that period the average differential between local and national rates quoted by more than 250 daily papers increased from 37.9% to 40.5%. More than 100 Sunday newspapers showed an average increase in the differential from 54.1% to 58%. Actual differentials range all the way from below zero (in which few cases national advertising is cheaper than retail) up to the 194.9% quoted by one New York State newspaper.

Some publishers believe that the solution of their problem lies in united action to enforce existing rates, protect their differentials from chiseling. However, despite the aggressive evangelization of apostles of the rate maintenance idea, only a few state associations have seen fit to follow the example set in 1931 by the Montana association which adopted uniform contracts to outlaw all copy at local rates except that placed by "strictly bona fide retailers, paid entirely by themselves."

In the belief that even such efforts would be incapable of closing the holes

in their rate structures, the 265 members of the Inland Daily Press Association at their meeting in Chicago last month proposed a new solution—the total abolition of the rate differential and the adoption of uniform rates for all local and national copy. Although some observers think this the inevitable solution, it's bound to be a long time coming, for publishers can't afford to reduce their general rates to the retail level, and retailers will fight any move which will result in an increase in their advertising costs.

Follow-Ups

When the news broke, *Business Week* told the story. Later developments add these postscripts.

BAUSH MACHINE TOOL CO. has won—and the lawyers have won again—in the third round of the Springfield, Mass., company's damage suit against the Aluminum Co. of America for alleged monopolistic practices. The famous case, won by Alcoa in the Federal District Court at New Haven, Conn., at the end of 1933 (*BW—Jan6'34*), lost by Alcoa when the Circuit Court of Appeals sent it back for retrial (*BW—Jul14'34*), now goes up for appeal again, with Baush holding the lower court verdict this time. The District Court jury this week awarded it $956,-300 damages which the judge trebled to $2,868,900 under the terms of the Sherman Anti-Trust Law, adding a bill for $300,000 counsel fees for the victor.

AS HEARINGS on the Copeland food and drug bill were concluded last Saturday (*BW—Mar9'35*), indications were that the subcommittee would rush through its report, that Copeland, operating with a free hand, would have a revised draft of his bill ready for the full Senate Commerce Committee to consider—and presumably report out—by the end of the month. Fireworks staged by the Proprietary Association were flashy but will probably prove unavailing. Even the testimony of Commissioner E. L. Davis is not expected to crown with success the drug interests' drive to transfer the regulation of advertising from the Department of Agriculture to the Federal Trade Commission.

Two months ago, the Chicago & North Western Railway's new "400" slashed 1 hr. and 12 min. off the standard time for the run between Chicago and St. Paul (*BW—Jan26'35*). And next month, as railroad men predicted, Burlington will attempt to whittle off a full half hour. Hitting up to 100 m.p.h., its 2 new 3-car "Zephyrs" will be operated on a 6½-hr. schedule to the Twin Cities—a 66.2 m.p.h. average.

Message to Holding Companies

Between the lines of Presidential scolding, the utilities may find a guide to where the Administration really stands on holding company legislation.

FIVE hundred thousand letters and telegrams opposing the utilities holding company bills now before Congress were too much for President Roosevelt. The President's scathing message of Tuesday denouncing this "propaganda" has been just too much for the holding companies, or at least for their spokesmen. Result: it is a "fight to the death." That is, it was this week. What the calming effect of the next few days may be, remains to be seen. A second interpretation of Mr. Roosevelt's messages so often changes the first impression.

Freely analyzed, the message was, first, a whopping body blow at what must have been an immensely effective campaign to draw such fire, a campaign in which the utilities went at Congress through the "people back home" who own utility shares, and in which thousands of investors protested voluntarily. This, incidentally, is always the most effective way of influencing Congress.

"Investors' money used to make the investor believe that the efforts of the government to protect him are designed to defraud him," said the President. ("Not only the utilities' privilege but their duty, if they are persuaded they are right," replied his critics.)

However, it was not alone an anti-propaganda message — or "lobbying from the White House," as Mr. Roosevelt's home-town Congressman, Hamilton Fish, put it. And it was only by inference an endorsement of the Wheeler-Rayburn Bill now before Congress. More than anything else, it was the first clear statement yet issued of the President's position on holding company regulation, and actually a newly smoothed-out field for negotiation.

Based on Policy Report

The occasion was the report of the National Power Policy Committee, a document largely overlooked in the excitement over the message itself. In this report, the oft-charged sins of the holding companies' past were raked over again. Recommendations included the "elimination of the holding company where it serves no demonstrably useful and necessary purpose, without dislocation of investment or the loss of operating economies which flow from economically and geographically integrated utility systems."

Reference to the Wheeler-Rayburn Bill in the message was only by number and by the remark that it "incorporates many of the recommendations of this report."

The message says that "such legislation" as the President has in mind "will surround the necessary reorganization of the holding company with safeguards which will, in fact, protect the investor." But, "We seek to establish the sound principle that the utility company, so long as it is permitted to continue, should not profit from dealings with subsidiaries and affiliates"—unless it gets the service order by open bidding.

The White House attitude on management service, on which the companies have been much in the dark, is clarified. Primarily, the President says, the management company ought not to own stock in the companies it manages, "and its fees ought to be reasonable." If the management company is controlled by related operating companies, it should be organized on a truly mutual cooperative basis and render its services at actual cost, "demonstrably lower than the services can be obtained in a free and open market." Here is clear ground to work over in reaching an agreement between the President and the utility companies.

On the investment side, the President declares: "We do not seek to prevent the legitimate diversification of investment in operating utility companies by legitimate investment companies," and adds a little later that some holding companies may be able to divest themselves of their control of subsidiaries and become regular investment trusts. Then he lays down another principle that is valuable to know in seeking a middle ground: "An investment company ceases to be an investment company when it embarks into business and management: investment judgment requires the judicial appraisal of other people's management."

A "Chance of Survival"

The President pins the plans for dissolution of holding companies that cannot show cause for their survival, onto "congressional leaders,"—but says what *he* thinks, which may be more important: "For practical purposes we should offer a chance of survival to holding companies which can prove to the SEC that their existence is necessary . . . if necessary to the continued functioning of a geographically integrated operating system." However, "Where the utility company . . . is used solely as a means of financial control, it is idle to talk of the continuation of holding companies on the assumption that regulation can protect the public against . . . these private empires within the nation."

Leaders of the utility industry, who have heretofore felt unable to draw up a counter-proposal to the Wheeler-Rayburn Bill because of inability to guess the essentials of the President's program, have at least a starting point.

FOR INSTANCE—This advertisement is a sample of how the utilities have been carrying their story "to the people." Result: for one senator, 11,000 letters in 2 days; for the holding companies, a Presidential message.

New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

THE new Niagarette shallow-well electric water system, offered by Decatur Pump Co., is self-priming, easy to take apart, and has no exposed moving parts, which should make an extra talking point for builders who want to sell low-cost small houses or resort bungalows to people with children.

E. D. BULLARD CO. is marketing a new purifier designed to filter water vapor, oil fumes, and dust out of compressed air, thereby increasing the safety of workmen operating in pressure chambers and reducing wear on industrial compressed air equipment.

AN all-steel platform truck for industrial use is announced by Stackbin Corp. It is of all-welded construction including welded-on casters, is built low to facilitate loading and unloading.

THE Tonrill tire changer offered by Patton & Terril is designed to facilitate tire changes on drop-center wheels at busy motor service stations where attendants' time is valuable.

A NEW centrifugal compressor or turbo-blower offered by Allis-Chalmers Mfg. Co. permits blower operation at variable speeds, regardless of motor speed, through a compactly built-in geared connection.

THE Red-E-Fit pre-fitted windows supplied by Huttig Mfg. Co. have beveled edge stiles and top rails, a rabbeted check rail for better wind- and dust-proofing, are rot-proofed and carry the manufacturer's 25-year guarantee against decay. They come to fit any standard window frame.

POZZOLITH is a gelatinous colloid placed on the market by Master Builders Co. for use in reducing the shrinkage in concrete, increasing its corrosive resistance to sodium sulphate solutions, increasing its compressive strength and resistance to frost action.

WOVEN WELDING WIRE has a solid core with a woven wire covering which holds the necessary quantity of flux. It is claimed to be adaptable to all standard automatic metallic arc welding units, comes in tapered-bore coils for use on reels or in cut lengths for manual operation.

GENERAL ELECTRIC CO. offers soda fountains, hotels, bars, and restaurants a glass washer which has especially designed trays for handling 150,000 pieces per month.

Across the Pacific—By Air

Pan American completes plan for transpacific route; prepares bases in Hawaii, Midway, Wake, and Guam.

EARLY next month a big freighter will start out from San Francisco to carry the makings, and the men, to man the isolated posts on 3 Pacific islands which will be the bases of the most romantic effort in transoceanic navigation—Pan American's transpacific route.

Despite the fact that the venture must depend on an appropriation for carrying mails—and the Post Office Department, friendly but without funds, has made no such guarantee to date—Pan American is proceeding to translate its plans into actuality. Likewise, the company is undismayed by the threat of opposition from those who advocate land planes for transoceanic travel and who cite Kingsford Smith's trip (via Hawaii, Samoa, Fiji, and New Zealand) to prove that land planes, making 2,500-mile jumps at high altitude and with great speed and greater economy, are better for the job than Pan American's favorite flying boats.

5 Jumps Across

With its present schedule calling for the inauguration of regular service late this fall or early in 1936, Pan American plans for its ships to make the trip in 5 flights—an overnight jump from San Francisco to Hawaii, 2,350 miles, then daylight hops of 1,380 miles to Midway Island, 1,240 miles to Wake Island, 1,450 to Guam, 1,500 to Manila. Easy trips to Far Eastern ports will come later. First of the "Martin 130s" which are to fly the route is undergoing its tests, and 2 others are near completion. But it will be one of the big Sikorsky S-42s, the "Pan American Clipper," which will make the test flights in the long summer months, before any passengers are allowed to ride or plan their historic first trips across the Pacific in 3 or 4 days instead of 3 or 4 weeks.

But first, to set up the bases on Midway, Wake, and Guam, the 7,000-ton freighter has to make its trip, loaded with as miscellaneous a cargo as ever filled a ship bound for new lands. It will carry the men who will build the bases and live on them, 250,000 gallons of gasoline, with tanks and pumps, diesel engines for light, power, radio, refrigeration, tools and seeds for gardening, a few cows, a lot of radio equipment and small boats, everything to build houses and comforts for the staff; the overnight hotels for passengers will be built later. The bases built, as Pan American has learned to build them at a few rough outposts in Latin America, the trial trips are to begin.

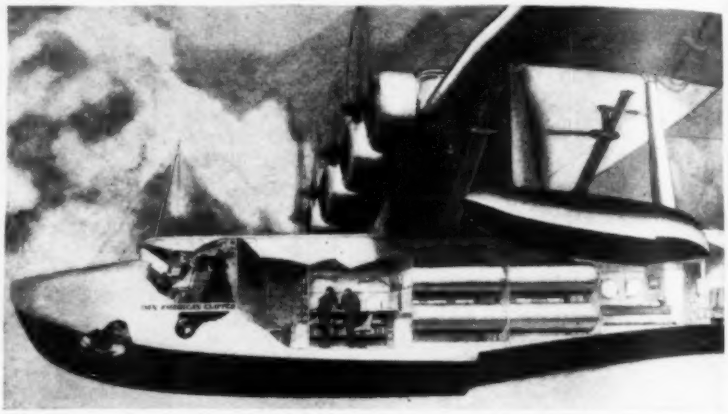
The Sikorsky is to be equipped as a flying laboratory, and *Aviation's* elaborate description of its equipment shows it ready to fly over vastly wider areas without refueling than should ever be necessary on the Pacific (for the passenger space will be used in part for extra fuel), with most elaborate radio, navigation, and weather instruments, hatches for sky studies, curtains for blind flying tests, and a movie camera to keep a permanent record of conditions of every sort as the instruments indicate them.

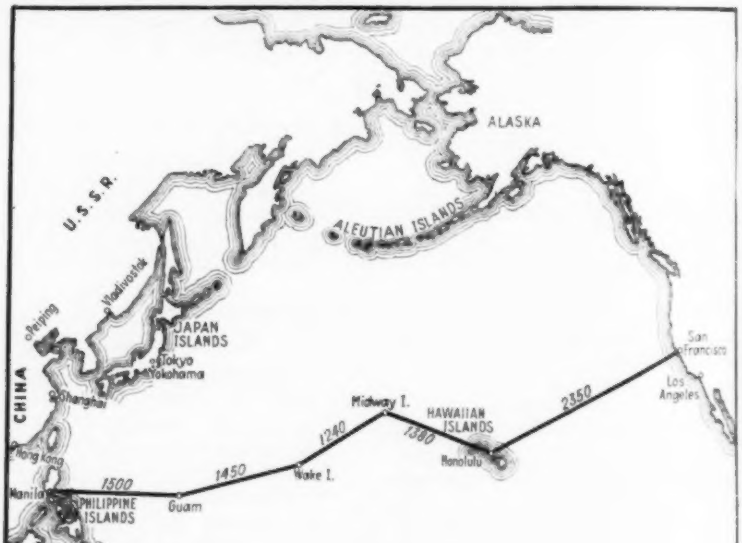
The bases will be ready so that these tests can be begun this spring. The passenger ships and passenger accommodations on the islands should be fully ready by summer, perhaps a regular passenger schedule started before the end of this year. But if that history-making event does not take place until the spring in 1936, Pan American will not be disappointed; it will not come, officials say, until they are satisfied that all is safe and sure.

Air Express Up

Rate cuts, swifter handling account for 41% air express increase.

AIR express is a growing industry, but the 41% increase which it achieved last year, according to final official figures just published by the Department of Commerce, is disappointing to air enthusiasts for two reasons: (1) It doesn't measure up to the 56% increase unofficially forecast by the Aeronautical Chamber of Commerce; (2) total shipments





Business Week

PACIFIC PIONEER—Pan American is getting one of its famed Sikorsky Clippers all fitted out with special laboratory equipment—and gasoline tanks in the passenger quarters—to blaze an air trail across the Pacific. Planning on commercial operation within a year, the line begins in April to make its 5 island bases ready to receive the flying boats—first the Sikorsky, then new "Martin 130s."

are still many a heavy ton below the European express traffic. The latter figures are not complete, but according to indications will total almost 5 times as much as ours.

In poundage, American air express totalled 3,449,675 lb. in 1934, as against 2,452,812 lb. in 1933. Domestic business made the larger gain, from 1,510,215 lb. in 1933 to 2,133,191 lb. in 1934. Foreign shipments totalled 1,316,484 lb. in 1934, 850,133 lb. in 1933.

Service Split

The American air express is handicapped by the splitup of its service between 2 companies, Railway Express Agency being affiliated with United Air Lines and some of its connecting lines, and General Air Express, with T.W.A., American, Eastern, and others. Both agencies ironed out some of their difficulties during the past year, eliminated the factual basis for the famous story of the New Yorker who wanted an air express package to go to South America, and discovered it went to Miami, the Pan American base, by way of Chicago, because it was the "other" air line that went direct to Miami. All that is picturesque history now.

In addition, 1934 saw a cut in rates by both express companies, the charge now being 85¢ on packages of less than ½ lb. and $1 for 1 lb. between most cities on the air lines. Railway Express Agency charges $1 for 25 lb. in a 150-mile zone. General Air Express has divided the country into 24 zones of 100 miles each, instead of 59 smaller ones. Traffic responded to these rate charges.

Merger of the 2 express agencies, much discussed from time to time, especially at present, would be of obvious interest to the public and value to the air lines. The issue on which the two are kept apart is whether all-air transport should stand alone or whether air-and-rail would guarantee greater security and assurance against delay.

Void Kentucky Tax

Supreme Court rules against Kentucky gross sales tax law.

KENTUCKY lost its gross sales tax case on the judgment of the U. S. Supreme Court that its sales tax law is arbitrary, flimsy, an unequal burden, and therefore invalid. Justice Roberts in delivering the 6 to 3 decision added that "the fact that the tax may not be burdensome does not offset the invalidity of the law." Now Kentucky will have to pay back the $1.2 millions which retailers had put up pending final decision (*BW—Jul24'34*) and be content with what it gets out of the chain tax law on the Indiana pattern, which it passed after its legislators began to feel shaky about the gross sales tax act.

Truck Traffic Through Kansas "Ports"
(In Thousands of Tons)

	Inbound (May)	Trans-state (May)	Outbound (December)	Total
Agricultural Products (Not Processed)	18.2	4.9	24.0	47.1
Agricultural Products (Processed)	5.1	1.6	3.3	10.0
Mineral Products (Gas, Oil, Salt)	10.2	0.9	32.0	43.1
General Merchandise	19.0	11.2	3.0	33.2
Miscellaneous	18.7	8.0	4.0	30.7
	71.2	26.6	66.3	164.1*

*Truck movements between Kansas City, Kansas, and Missouri not included.

What Interstate Trucks Carry

Kansas port-of-entry system provides the first detailed analysis of highway traffic across state lines.

EMPLOYING the facilities of its unique highway port-of-entry system (*BW—Jul28'34*) which normally functions as a registration, inspection, and ton-mile tax collection agency at the state line, Kansas State Planning Board has made the nation's first complete detailed analysis of interstate motor truck traffic. Inbound and transstate movements were checked last May while outbound trucks were considered during December, thus obtaining a fair all-year average. The 6 voluminous exhibits of basic data will be intently studied by railroads, shippers, regulatory bodies, truck operators, and motor manufacturers.

No intrastate movements considered, 53,000 trucks loaded with 164,000 tons, during the representative months, moved into or out of the state. On rails this totals about 4,000 carloadings. Of the 175 miles averaged per truck-trip, 104 was on Kansas roads with a net pay load of 3 tons each, running up a total of 34 million ton-miles.

Farm Products at Top

Arbitrarily grouping the 61 commodities (plus miscellaneous) into 5 main classes, agricultural products quite naturally top the list making up 30% of the total tonnage with mineral products a close second, as shown in the table.

Long-distance hauls of dressed poultry and eggs, necessarily refrigerated, have been generally regarded as strictly railroad business, yet the survey shows many trucks are now regularly moving them to points as far away as California, Massachusetts, Florida. Even though all of the major salt companies in the state have an established price, not at the mine, but delivered-by-rail, still many thousand tons of salt are trucked, to the detriment not only of the railroads, but of the price structure of the salt industry. The salt trucker is usually a peddler who often must sacrifice his goods for gas and oil.

Moving vans make up a good share of the tonnage. The movement of personal household goods in the survey (under "miscellaneous") was the same into and out of the state, with an average haul of about 250 miles. Extreme but significant: While entitled to deadhead freight privileges, railroad employees, upon being transferred from one city to another, regularly engage long-distance vans, finding them considerably cheaper than the cost of crating plus cartage at both ends.

During the entire year 1934 the 65 ports cleared over 597,000 trucks, collected from the 40% that were "foreign" cash taxes which would otherwise have been lost. (Trucks licensed in Kansas pay monthly.) Receipts for last year, $605,000, compared to $330,000 in ante-port 1933. The success of the plan has prompted legislation which has been passed or is pending in nearly a dozen other states. Those bordering Kansas do not approve and are considering retaliation.

The Association of American Railroads has interested itself in the Kansas port plan to the extent of publishing a bound volume on it. The National Highway Users Conference, Alfred P. Sloan, chairman, has made a first-hand study of the ports and turned thumbs down. The conference feels that (1) the plan will restrict the free flow of interstate commerce because of the ton-mile tax; (2) its success as a tax collection agency will only prompt increases; (3) it shows a high ratio of collection costs to receipts; (4) should several states adopt the plan, transcontinental trucks would lose much time in clearance; (5) were it adopted by many states, reciprocal activities would kill it.

State Defence

Replying to these surmises, Kansas state officials point out that: (1) traffic through the ports has increased; (2) though not contemplated, should taxes be increased, 90%, after deducting expenses, goes for highway maintenance construction; (3) the 4-minute stop at the port for inspection (including brakes, lights, etc.) has caused several insurance firms to reduce rates 25% on state-inspected trucks; (4) should the plan become adopted nationally, or even by bordering states, maintenance would be cut in half; and (5) arrangements made for transcontinental trucks to be furnished a uniform clearance upon tax payment at their origins.

Another study, made by the Kansas State Corporation Commission, shows the trend in truck operations seems to be in favor of the large fleet operator, who is slowly crowding the one-truck fellow off the road. Terminal and transfer facilities have something to do with it, but expenses of bonds and insurance are more than some can meet. For the 1½-ton truck, most commonly used, the normal liability and property damage rate is about $38.00, but should it operate on a long route through large cities, the premium skyrockets to $300.

New Fuels

Lacking domestic supplies of gasoline, Germany subsidizes cars featuring gas, steam, electricity.

BERLIN (*Special Correspondence*)—Germany is trying to develop a "national" automobile.

Without any adequate domestic supply of gasoline, the country is turning to other kinds of fuel. Domestically-produced gas, steam, electricity—all are being tried. Effective Apr. 1, a new law cuts in half the tax which must be paid on cars if propelled by one of these types of fuel. (New automobiles in Germany are tax-exempt if they remain in the hands of the original owner.)

It was at the annual Automobile Show in Berlin a few weeks ago that the general public became aware of the moves which have been taken to get away from a complete dependence on gasoline as fuel.

Outstanding model of a steam-propelled car was exhibited by the Henschel Co., of Hanover, builders of locomotives. Buses and 5-ton trucks were on display. Henschel has completed the preliminary experimental work, but the cars are not yet in straightline production which accounts for the comparatively high prices at which they are offered. They sell at only 10% higher

On the links at Pinehurst. Photographed by H. Armstrong Roberts.

prices than Diesels, however, and Henschel contends that exceedingly low operating costs (lignite tar is used for fuel) will more than make up the difference.

Krupp in the Field

Krupp showed a 3-ton truck for which "Ruhrgasol," one of the many gas byproducts of the Ruhr mining industry, is the fuel. Similar models have been developed to use lighting gas, methane, butane, and propane. Both foreign and domestic motors can readily be adjusted to these gases by adding a reducing and mixing valve. Great drawback, however, is that the gas must be carried in heavy steel containers under a pressure of 150 atmospheres. Two to five such containers are required, according to the size of the car. This means that only buses and heavy trucks can use this kind of gas.

There is another problem. Cars propelled by this form of fuel have a limited radius of action because of a lack of filling stations. Lighting gas is available in almost any town in Germany, but this is not the case with the dozens of other gases, particularly during this experimental period. It appears that the most economical results can be expected where trucks or buses operate in a limited area. The Ruhr district, with its large supplies of gas fuel, is the logical place for the experiments. Buses, using methane, which have been operated for 4 years in Oberhausen, have given satisfactory service.

Wood Gas Cars

Both Henschel and Deutz are exhibiting a 12-cylinder 250-hp. motor for vehicles driven by wood gas, generated on the car itself. The great advantage of these wood gas cars (more than 1,000 are in operation in various parts of Germany) is the low operating cost, especially in such parts of the country as Silesia and the Harz mountains where wood is abundant. Almost any wood can be used as fuel. A 5-ton truck with a wood gas generator costs two or three thousand marks more than a Diesel-driven motor of the same capacity, the difference in price representing the cost of the wood gas generator. The two great disadvantages are the additional weight of the wood gas generator (slightly less than a ton), and the fact that it takes 5 to 10 minutes to start such an engine (it is claimed that this inconvenience can be overcome if the truck or bus carries a small gasoline tank which can be used for the start).

It remains to be seen whether the government's tax-exemption schemes will make these new cars popular. It is more than likely that most operators will prefer their gasoline-driven cars. Higher gasoline taxes and greater exemptions on the "autarchy" cars, however, could ultimately bring about a change in the situation.

Business Abroad

Europe has its theories on the course of sterling exchange, the probable reactions in the gold bloc, and possible repercussions elsewhere. Latin America is growing market for industrial equipment.

THE fluctuations of the British pound on foreign exchanges has attracted much wider business attention than the badly organized Greek revolt, the continued movement of Italian troops to Africa, the pending visit to Moscow and Warsaw of Sir Anthony Eden, and the fresh outbreak of unrest in Cuba.

Reactions vary. Paris is fairly well united in its feeling that the slump in the pound can be blamed on the failure of London authorities to disclose their monetary policies, or possibly, even to formulate any policy other than to utilize the Exchange Equalization Fund to reduce the temporary fluctuations of the pound.

To substantiate this belief, they point to the fact that for some months South Africa has been shipping to London only sufficient gold to cover immediate payments. Balance is sold to the Reserve Bank of South Africa with resultant profit to African, instead of London, bankers. This contrasts with the policy adopted by most gold-producing countries during the first years after the pound left gold.

Gold Hoarders

A similar mistrust of the future of the pound is indicated by the recent repurchase of small sums of gold in London by Indian bankers. Finally, enormous sales of pounds have taken place during the last 18 months on the London market itself by international hoarders and British subjects who are keeping bullion in their safe deposit boxes. The total of this hoarded gold is estimated at more than £200 millions. And in the last 2 months, French funds have been drawn out at a rapid rate, precipitating the drastic decline in sterling of the last few weeks.

London is thought to have made only half-hearted efforts to stop this decline. In part, this is due, no doubt, to a growing desire on the part of the British to improve their competitive position in world markets, particularly as it becomes evident that Japanese inroads in export markets have not been stopped despite tariff increases or quota agreements in most Empire markets. But it is also due, the French believe, to the fact that the Exchange Equalization Fund no long exceeds £50 millions, scarcely enough to stay any long-term drain. It is now expected that the British will allow the pound to decline slowly until there is some evidence that President Roosevelt thinks the disparity in pound and dollar devaluation too great, and resorts to further devaluation in the United States. This week's sharp reaction in the commodity markets probably brought a measure of official exchange support for this very reason. It is generally believed that Britain would like to see the pound at about $4.50; it is too soon to speculate whether Washington will allow it to drop to that figure without retaliating.

It must be understood that although the minor countries of the gold bloc (Holland, Belgium, Switzerland) might suffer more or less seriously from a heavy depreciation of the pound and from a new devaluation of the dollar, leading ultimately to their stepping off the gold standard, the position of France—backbone of the group—is by no means so precarious. France will not be pushed off the gold standard by foreign pressure, but internal pressure for the move may ultimately become so great as to make it necessary. This eventuality seems in no way immediate and various experts are of the opinion that this is hardly likely before next summer when the French Treasury might eventually find itself in a difficult position due to the necessity of new borrowing on a steadily more restricted market. A gold embargo and revaluation of the Bank of France's gold stocks would appear the easy way out under such conditions. France realizes the immediate relief this would bring to the vast number of businesses within the country dependent on tourists for a livelihood. Exports generally would be little relieved, according to most expert opinion, because of retaliatory moves by other countries.

Clearing Schemes Failed

There is a growing belief in Europe that clearing agreements have been unsuccessful and are likely soon to be abandoned. Paris expects this to cause currencies now protected by these agreements to devalue. This refers particularly to central European currencies, and to the German mark, though in this last case it is possible that Dr. Schacht will be handicapped in carrying out such a move by the loss of prestige it might mean to the Nazi government.

Belgium's position is no doubt weakened by the new sterling decline, but the Premier has declared that the country can remain on gold so long as the pound is above 19 Belgian francs (now slightly above 20). Nevertheless, his urgency in calling a conference with

Wide World

WHEN GASOLINE'S TOO EXPENSIVE—Dependent on foreign supplies of gasoline (which seem always to be expensive), Germany is experimenting with other fuels for automobiles. Here's a truck (left), propelled by steam generated in a boiler behind the driver's seat. Brown tar-oil is used for fuel. The Berlin Gas Co. truck (right) uses coal gas for fuel, carries it under the floor of the truck in bottles which can be refilled in 5 to 7 minutes. Service stations are still a problem.

other members of the gold bloc in Paris for the end of the month indicates the pressing need for Belgium to find wider export outlets within the gold group.

Simultaneously, the Spanish government has permitted the peseta to slip from its gold moorings, and indicated that it will be allowed to follow the pound in any strong devaluation move.

The Netherlands Parliament has just voted a law compelling the various members of a given industry to accept co-operative agreements when such have been decided upon for this industry. This means that Holland has taken to the industrial code system.

Great Britain

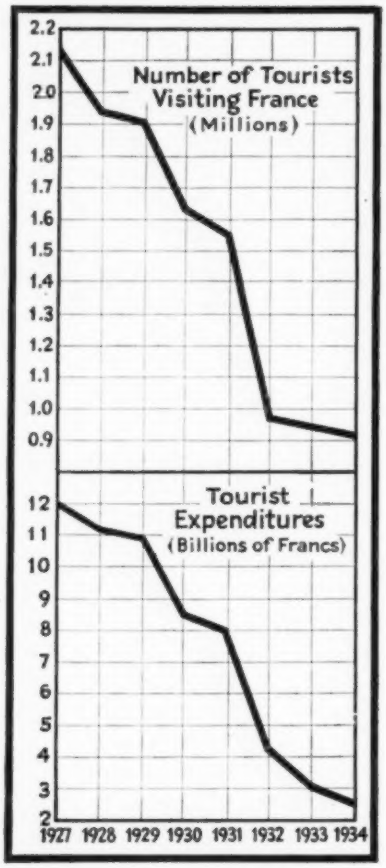
MacDonald resignation anticipated. Business still unsettled by fluctuating pound, commodities.

London *(Cable)* — The best-informed circles anticipate the early resignation of Ramsay MacDonald, but with the National government continuing under the premiership of Stanley Baldwin. Policies will remain virtually the same except for greater emphasis on straight tariffs in bargaining Britain into a better position in international markets. Probable effect of the move will be to strengthen the market and improve the position of sterling.

Budget increases of more than \$50 millions for military preparations indicate for the first time to the masses the seriousness with which Britain now considers the possibility of war in Europe, though not necessarily in the immediate future. The delayed visit of Sir John Simon to Berlin will help to solidify thinking on this question. Just now there is little hope that Berlin will accept the guarantees for Baltic countries which Russia demands. France and Italy are already committed on this question and Britain is likely to side with them.

Walter Runciman, president of the Board of Trade and cabinet member, has promised a searching investigation of the pepper scandal which so thoroughly upset London commodity markets a month ago and which threatens to involve a number of prominent British executives. His promise, under oath, to present all evidence against any persons involved, no matter what their position, has caused him to be looked upon as the most fearless public official in Britain now. First outcome of the investigation is likely to be the establishing of regular settlement days on the pepper and shellac markets, just as has been the case on the rubber market for many years. This is probably one of the most effective means of putting an end to large-scale "gambling" on "corners" in these highly speculative commodities.

Next move of Minister Runciman's Board of Trade is likely to be negotiation of a new trade agreement with Brazil. It is believed that Runciman is preparing to bargain down tariffs as a means of winning larger concessions on the Brazilian market for British goods.



THEY DIDN'T ADVERTISE — The French Parliament has decided that the country needs to sponsor a huge advertising campaign abroad for tourists. Rail rates may be reduced for visitors; special tours provided. Italy, Germany, Austria have proved that it pays to advertise on a large scale.

France

Paris measures business activity against (normal) 1933. Campaign for tourists discussed.

Paris *(Wireless)*—The consensus of opinion is that the main reason for the comparatively low levels of business activity in France at the present time are the lack of faith in the internal political situation, the precarious position of the Flandin government, and the lack of financial authority. If the political situation was once and for all straightened out, French business activity would easily reach 1933 levels and maintain itself there. In France, 1933 was considered a quite normal year, following the slump of the previous year. The post-war inflation in France made the years before the world boom less normal, for instance, than in the United States.

Active discussion took place recently in Parliament concerning the distressing fall in tourist traffic in France during the last half-dozen years. Although prices are falling, unfavorable exchange rates as far as British and Americans are concerned (ordinarily about 70% of all foreign visitors to France) have caused the influx of tourists to drop off drastically. A number of hotels in Paris and in the resort centers have been forced to close, and steamship lines, railroads, theatres, couturiers, and restaurants have felt seriously the decline in this important business.

Italy Does Best Job

One of the points brought out in the Parliamentary discussions was the fact that France has done a poor job of advertising, and that not enough attractions in the form of fare reductions, special events, and overall hotel reductions have been provided. Italy, Switzerland, Austria, and Germany have all carried on extensive propaganda campaigns which have greatly multiplied the number of visitors within their boundaries, and many of them have been Frenchmen. Austria, in particular, has drawn a large number of tourists this winter, though Italy has done the outstanding long-term job of advertising. Tourists who have been in Italy lately, however, declare that living is at least as expensive as in France but that the foreigners are so strongly impressed by the number of price reductions (up to 70% on rail fares) which are widely broadcasted that they seem quite willing to pay what is charged. A few aggressive Frenchmen are convinced that a few well-planned, all-expense tours, some extensive advertising, and national cooperation in catering to the wants of travelers could materially benefit the large number of businesses dependent on tourists.

Another aspect of the problem is the restriction on currencies. Many European countries have taken to limiting the amount of money which may be taken out of the country by nationals for travel or vacationing in neighboring countries. This is especially true of Germany, Italy, and most of the central European countries, though all are carrying on vigorous campaigns to encourage travel within their borders. It now seems quite possible that France may find it necessary in the near future to restrict the amount of funds which Frenchmen will be allowed to take with them to other countries which have adopted similar restrictions. It is likely that future trade pacts will include clauses covering tourist expenditures, with demands for reciprocal concessions.

Germany

Business continues seasonally dull. Schacht successfully pursues interest reduction program.

Berlin *(Wireless)*—Business is seasonally slack, with no signs yet of basic improvement. Cotton textile mills are complaining of a lack of raw material, but retail stores with heavy overstocks of cloth are clamoring for government credit relief to aid them in carrying these stocks until next season.

The conversion of 8 billion marks of mortgage bonds, the recent conversion of 2.2 billions of public bonds, and finally the reduction of interest rates

by banks are 3 closely connected links in Dr. Schacht's policy of lowering interest rates and restoring normal functioning of the capital market.

Technically, the conversion of public bonds followed in most details the example set a month previously by the conversion of mortgage bonds (*BW—Feb2'35*). On all bonds (except foreign) bearing more than 6% interest, the rate is reduced to 4½%. It was originally the intention of the government to introduce a new 4% standard bond for all public loans of the Reich, states, and communes, as distinct from the 4½% rate for the new mortgage bonds. On second thought, it was found that this would mean a violation of financial relations, to which the market might react unfavorably. Final adoption of the 4½% rate, together with the 2% cash bonus, were a pleasant surprise to bondholders. They also accounted for the fact that after all trading in convertible public bonds had been suspended for 2 days, the new 4½% bonds were quoted 1% to 2% higher than the old 6% bonds, whereas the converted mortgage bonds are still quoted lower than the old ones.

Interest Rates Are Cut

The underlying idea of Dr. Schacht's capital market policy is to lure liquid funds from the money market and from short-term investment into the capital market and into the purchase of bonds, notably public. This policy could only be carried through if the yield of bonds was substantially higher than the rates paid by banks for time deposits. Yet, during the last 2 years, the tendency has been to reduce this margin. Standard bond yields have been reduced from 6½% to 4¾%, while time deposit rates in early February averaged more than 3½%.

In order to restore the original relation, the Reich Bank Commissioner has now ordered an all-round reduction of rates on both time deposits and loans. Most important is the reduction of interest payable on savings deposits from 4% to 3½%. Other credit rates have been lowered by approximately ½%. Simultaneously, interest charged by banks on various kinds of loans has been reduced somewhat more than ½%, so that, on balance, the bank's operating margin is lowered by 0.2%. If the earning capacity of the banks is not to suffer under this change, this amount has to be made good either by economy in operating expenses or by the introduction of a small commission on such services as inter-bank clearing remittances, for which the banks at present do not charge.

Canada

Business is expanding steadily. Big import balance from United States rouses interest in pending trade pact. Central bank opens.

OTTAWA — Business activity continues at levels well above last year. Construction contracts awarded in February were nearly double the figure a year ago. Electric power output is running 17% ahead of last year. Pig iron production is up 45%. Car loadings so far this year are 6% greater than for the same period a year ago. Commercial failures are fewer. Life insurance sales in January were 19% larger than in January, 1934. The employment index stands at 99.9 compared with 96.4 for the same date a year ago.

Exports were smaller in January than a year ago, but imports were up. The United States was Canada's best customer, taking $17.8 millions worth of Canadian goods, selling to Canada more than $23 millions. For the 12 months ending with Jan. 31, more than 57% of Canada's imports came from the United States. Slightly more than 34% of all exports were destined for the United States. There was a balance of trade of more than $70 millions in favor of the United States, which helps to explain Canada's special interest in the forthcoming trade negotiations with Washington from which Canada expects numerous concessions which will help to even off the balance.

The Bank of Canada—the Dominion's new central bank—started operations this week with assets of $225 millions in gold and securities, and with the official discount rate set at 2½%.

Latin America

New disorders unsettle Cuban business; need for reform recognized abroad. DuPont builds rayon plant in Argentina. Domestic industries developing in most South American countries.

THE general strike in Cuba, which for a time threatened to develop into civil war, is a further indication that conditions on the island will not be quiet until reform measures have been inaugurated.

Students are blamed for the trouble of the last 10 days. So are the 15 or more political parties classed as Leftist. But, strikingly, there is no evidence that the opposition is firmly knit together, or that it has a single leader. The army, on the other hand, seems to be standing firm behind the present officials. If the strike is successfully quelled, however, it is no sign that conditions will improve. There is an opposition which wants the Mendieta government out, not because the individuals are at fault, but because they stand for a system which a growing group in Cuba feels should be modernized, and humanized.

Numerous reform measures have been outlined by the various political parties. The Foreign Policy Association (New York) offers its own proposals made after a study of the situation on the ground and with the moral support of at least some Washington officials. *Business Week* summarized their recommendations for social reform (*BW—Feb2'35*) for the sake of those executives who genuinely want as unbiased an appraisal of the real situation in Cuba as it is possible to get. They are repeated in brief, for the unsettlement of the last year in Cuba is likely to continue until at least some part of these, or similar, measures are enacted:

What Cuba Needs

(1) Development of subsistence homesteads for workers employed only part of the time; (2) development of agricultural diversification by establishment of agricultural colonies, promotion of agricultural research and education, creation of a marketing organization under government auspices and adoption of a scientific tariff policy; (3) enactment of legislation requiring each sugar central to set aside land on which its workers may produce food, and to appoint a full-time manager to develop food production; (4) imposition of a tax on unused land for the purpose of developing the millions of acres of uncultivated areas in private hands; (5) establishment of an Agricultural Bank to encourage diversification and local cooperative associations; (6) establishment of a Public Utilities Commission to have jurisdiction over power, telephones, railways, highways.

Business in Cuba has been seriously unsettled by the recent disorders. Railway, trolley, and electric power services have been wholly or temporarily disrupted; dock workers have walked out causing several cruise liners to abandon calls at Havana; normal business has been curtailed. Mendieta has control of the situation now. If he handles the affair liberally, he may succeed in keeping Cuba quiet for another period of months; harsh reprisals will only lead to another outbreak.

The duPont company is extending its activity in the Argentine with the establishment of a viscose rayon plant, the first in Argentina. More than 1,000 persons will be employed when the plant is in full operation.

Industries in Argentina

The announcement calls attention to industrial development which is taking place in South America. Argentina has recently released data showing that 43% of the workers of the country are now engaged in industry, compared with 38% before the war. Textile workers have increased from 29,000 in 1930, to 47,000 last year. A dozen packing houses now employ 30,000 workers. The automotive industry employs 15,000 workers, and electrical machinery and radio industries another 8,000. Furniture, paper, toilet goods, soap, hats, shoes, pearl buttons, and boxes are all made in Argentina now. Imposed protective tariffs plus the automatic protection which has come from a depreciated currency have helped to build up a large number of small domestic industries, and a few large manufacturing units. Though Argentina has fewer than 12 million people, they have 49% of the telephones in all South America, 53% of the automobiles, 40% of the rail mileage, and transact 43% of the foreign trade.

Industrial progress, however, is not confined to Argentina. Brazil is experiencing an internal boom which got its start more than two years ago, and Chile and Colombia have made similar strides in developing domestic industry.

Money and the Markets

Financial world stresses Washington and foreign uncertainties but talks less about dollar tinkering. Stocks and bonds sag despite new financing stir. Cotton break makes commodity markets jittery, upset all prices.

THE financial world is suffering another attack of nerves, induced—as usual—by developments in Washington which now, with financial and banking legislation approaching definite tests in Congress, has become even more the focal point of interest. The concern of the financial district naturally embraces all legislative proposals affecting business generally, but centers particularly on the holding company measures in which the week's developments were disturbing to Wall Street (page 26).

A spectacular upset in the cotton market, which had repercussions throughout the whole price structure and threw the speculative community generally into new depths of pessimism.

There is a feeling that the Treasury's Liberty bond refunding is not going as well as it should, but there seems to be no real foundation for worry. Holders have until Apr. 15 to exchange their Libertys for new $2\frac{7}{8}$s. More than half have been turned in already, and a substantial premium is offered for the new bonds. This indicates that the balance of the issue could be forced in over night by announcement that the books were to be closed. The smaller issue of notes was exchanged in short order.

New tests on the gold contracts arising out of the Liberty refunding will probably drive the Administration to definite legislation to close the loophole left in the Supreme Court's decision. Robert A. Taft, son of the late Chief Justice and former President, has filed a case with the Court of Claims holding that the government has broken its bond by refusing to pay in gold and hence cannot exercise its privilege under the same contract of paying off the obligations before maturity.

More Gold Suits

This phase could be readily covered by a law prohibiting such suits against the government. Whether suits by alien holders can be averted as readily may be brought to a test if the group of British, French, Dutch, and Swiss bond holders who are considering consolidating their case actually institute action. Aliens have the right to come before the Court of Claims if their government extends like privileges to American citizens. British nationals, in view of this reciprocal arrangement, may bring suit. Counsel for a committee of British holders is encouraging them on the grounds that they can show more than nominal damages—the point upon which the initial case was decided.

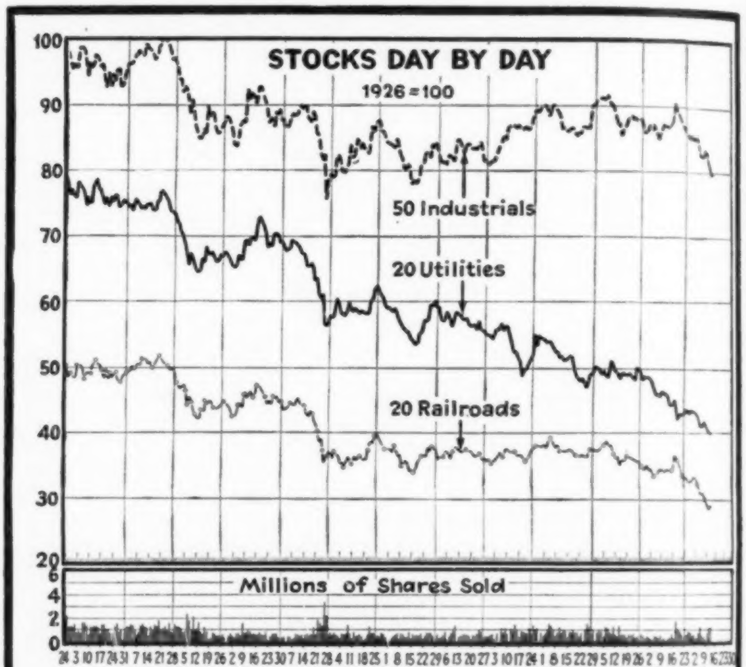
Meanwhile, the Treasury has undertaken another refunding, using a part of its gold profit to retire "circulation" bonds under circumstances that meet with general approval on all sides (page 8).

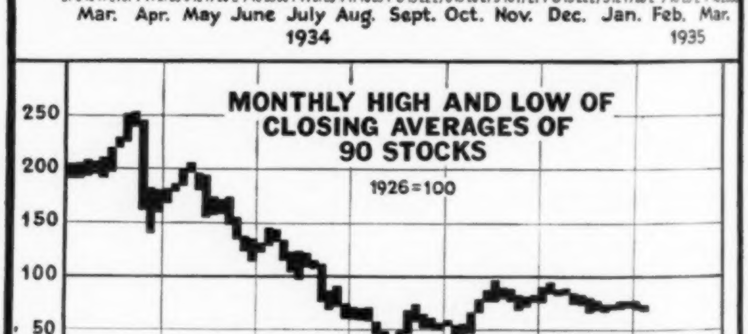
The foreign monetary situation is a continuing source of concern. Although foreign exchange markets have quieted down after their recent hectic gyrations, persistent weakness of other currencies against the dollar has emphasized the precarious situation of the gold bloc. Their position was forced to the fore again by the new conference of gold bloc currency representatives; this was taken to indicate that another crisis confronts them (page 33).

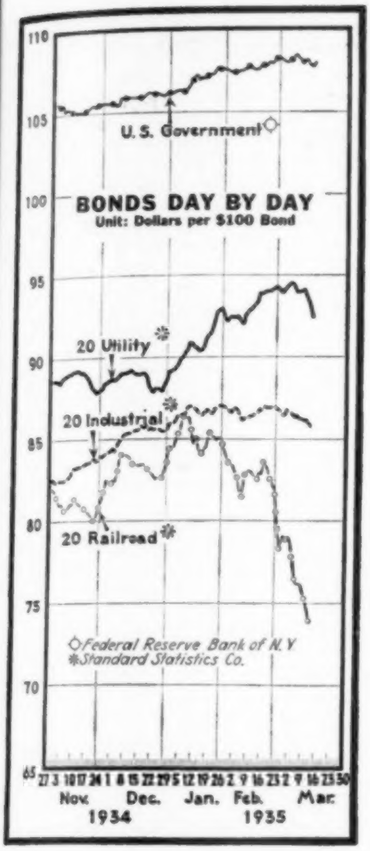
Highly symptomatic is the nervous state of foreign financial centers. Their composite gloom was mirrored in the observation of European banking leaders who gathered last week for a board meeting of the Bank for International Settlements. Unstable currencies were their principal concern, and the most helpful attitude on the subject was voiced by a French representative who observed that conditions may get so bad within the next few months that cooperative stabilization activities may become compulsory. The United States is blamed for preventing stabilization. Its policy is scored on 3 counts—its continuous draft against gold stocks of other central banks, its "undervalued" dollar, and its carefully preserved threat of 9¢ further devaluation.

Inflation Talk Quieted

Domestically, the talk of dollar manipulation has quieted down. Commodity markets have experienced some deflation with the firming of dollar values against other currencies. The explanations that followed the President's remarks of last week about price levels, the use of gold profits to pay off debts, and the retirement of the national bank notes point even more toward the regulation of bank credit as the favored method of influencing values.







Governor Eccles of the Federal Reserve Board, who would exercise these controls under the pending bank bill, stressed such regulation but only as one of three elements necessary to stabilize economic conditions. Along with price regulation through the monetary policy, he thinks it will be necessary to govern distribution of income through taxation and to provide emergency income through public works.

Bank Bill Changes

At present, the only show of opposition to the banking legislation comes from a group of academic economists, although it is still possible that organized banking may urge some definite changes, seek to modify the character of the bill. The ABA entered the deliberations on the measure by sending a committee to Washington to confer with Congressional and Administrative officials handling the legislation. This is expected to be the vehicle which the banks will use in advancing amendments designed to modify the most objectionable phases of the measure.

Bonds

Renewed unsettlement in railroad and utility issues continues to be an unsettling factor in bonds, particularly among the marginal issues likely to be disturbed in reorganizations. Values on this type of security have dropped precipitately. In the higher-grade group, enough buying is encountered to hold reactions to narrow limits, but the pessimism current in financial quarters throws its shadow on this charmed circle.

Government obligations are not exempt, although their recent sag appears an incidental result of the refunding operations now in progress, rather than any change in attitude toward federal credit. The Liberty bonds being retired had attained short-term character and so were held in cash reserve accounts. The long-term bonds being offered in exchange for them serve a different purpose and must seek new buyers. This switching of ownership is being accomplished only through an easing off on premiums previously commanded by the Libertys. Call of the Consols and Panama 2s, coming as a complete surprise, naturally knocked the premium off those issues.

Fear Check on Financing

The market action has put a damper on the enthusiasm that would otherwise stir investment banking over the prospects of corporation financing being resumed on a substantial scale (page 7). There is little question about the ready investment demand for the Swift and Pacific Gas issues announced. They are merely refundings and the new bonds fall in the gilt-edge classification, are a scarcity item. However, it is feared that the uncertainties in the situation may hold back further announcements just when a revival of new offering business again appears a possibility.

A new technique in corporation financing is being used in these two instances. The banking houses are not underwriting the issues in their former manner, but merely act as selling agents for the corporations, thereby avoiding a definite commitment for the amount involved in the financing during the 20-day "qualification" period.

SEC officials feel the transactions thoroughly demonstrate the workable character of their simplified regulations on security issuance. Swift & Co.'s registration required only 60 typewritten pages of information. Some 2,000 pages would have been required under the previous regulations. The entire cost of the financing will be only $322,000, of which $172,000 will be commissions to the bankers, $150,000 will cover audits, legal work, all other expenses of registration, including $42,000 stamp tax.

HOLC Authorization Increased

New bonding power of the Home Owners' Loan Corp. was promised an increase to $1,750 millions, up $250 millions from the original proposal, when the bill finally got through the House this week. As it went to the Senate it also carried amendments to the Housing Act which would provide insurance for unsecured loans up to $50,000 for rehabilitation of commercial real estate.

RFC has decided to show the way to private interests in the matter of creating mortgage companies to relieve the "big" mortgage situation. It is organizing a model which will be wholly financed by corporation funds in the hope that similar organizations will be formed by others using some of their own funds and some of the corporation's. The act extending RFC's life authorized it to put up to $100 millions into the capital of such corporations, to which it could give additional funds through loans. The new agency is designed to provide a market for office building, hotel, large apartment mortgages, the real estate bond type.

Stocks

Having few developments within its own field to direct its movements, the stock market has recently been taking its cue from the commodities. The disturbance in cotton trading early in the week was a distinct depressant, and there was a disposition in speculative quarters to relate the episode to the recent collapses of British commodity markets as generally symptomatic of unhealthy conditions.

The President's tirade against business pressure on the legislature as typified in the fight on the utility holding company bill caught Wall Street in this low state of mind and plunged it deeper in pessimism.

Leaders Stabilized

The market itself developed some resistance by mid-week, however. Pivotal industrial shares and the better-liked carrier issues were able to stabilize somewhat. Along with more orderly trading in commodities, this helped stem the run of bearish influences. The President's message on the holding company bill got two interpretations in speculative circles. To some it meant the hopes of a modified measure must be abandoned. Others thought the special message an acknowledgment of the effectiveness with which business interests have been forcing their viewpoint upon Congress.

If the President can break the Congressional deadlock by the promised series of special messages, it will be gratifying to many in the financial district almost regardless of the legislative outcome. It is the uncertainty of pending measures rather than fear of their results if enacted that troubles the Street. There was, however, little inclination to "hold the bag" through ownership of utility shares while that particular phase of the Administration's program is at issue.

Rails Still Unpopular

Nor has sentiment toward the carriers changed definitely for the better. Within another 2 weeks the roads must shoulder another 5% wage restoration and although there is some talk of another attempt to cut wages after May 1, the first date the subject may be reopened, there seems as much prospect that the brotherhoods will seek another increase at that time.

Incidentally, the stock market is getting some new issues, in contrast with the steady diminution of bonds outstanding. The new Studebaker shares, originated through reorganization, are on the market. Colorado Fuel & Iron, Hahn Department Stores, Paramount are on the docket for early completion of recapitalizations that will mean new material for share trading.

Commodity Markets

Cotton exercised a demoralizing influence in all markets last week. Its wide-open break early in the period unsettled trading in other divisions; the effects were extended to manufactured products, particularly textiles, and indirectly into corners of the price structure remote from the cotton ring.

The drop on Monday to within a few points of the 2¢ limit on price fluctuations in futures trading was the most severe since 1927 and brought in its wake a series of upsets reminiscent of the general demoralization of prices in July, 1933, when the original New Deal boom was interrupted by the crash of a speculative situation in cotton and grains. Suspension of trading was considered for a time but finally made unnecessary when trading in the commodity assumed more normal character later in the week.

Speculative Sentiment Bearish

Rubber, associate product with cotton in much manufacturing, was under heaviest sympathetic pressure, sliding under 12¢, or 4¢ below its high of last August. Elsewhere, movements were characterized by nervous milling rather than sharp breaks, although speculative sentiment was bearish and trade interests deferred commitments out of fear of new unsettlement.

In the light of this jittery condition in speculative circles, the comparative orderliness of recessions in other markets was notable. Grains were merely heavy, indicating no pressure of liquidation but simply suspension of new buying. Sugar gave ground grudgingly; the threat that Cuban shipments would be interrupted by a general strike supported the sugar market through the worst period of pressure and continued as a stabilizing factor despite the subsequent truce in Havana.

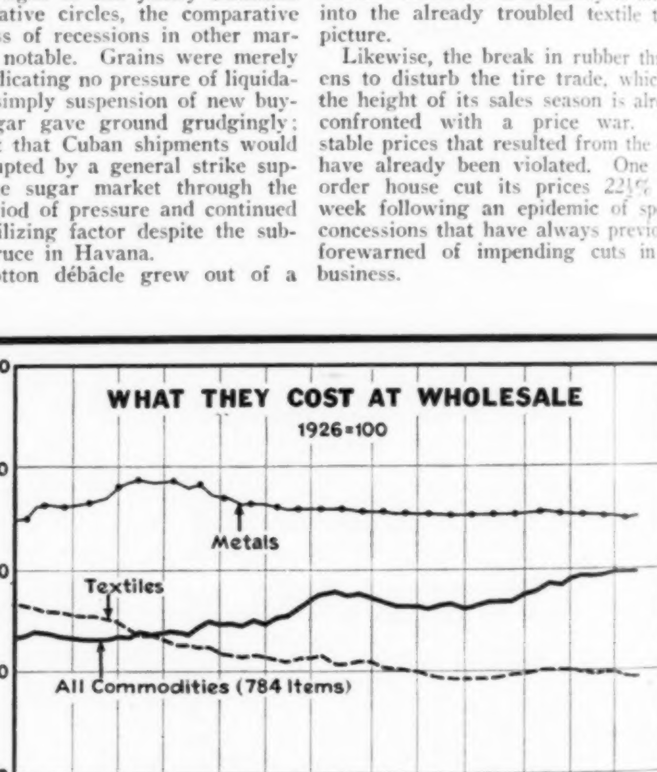
The cotton débâcle grew out of a selling movement that got under way more than a week ago. The concentrated drive against futures quotations and the accompanying flood of unfavorable gossip gave that flurry the earmarks of a concerted campaign. Indications that Washington did not know just what it should do about cotton further disturbed things. Garbled reports of the controversy between AAA and legislative leaders over methods of exempting 2-bale growers made it appear that a relaxation of crop curtailment was threatened. This, of course, was not so, since either of the plans proposed would accomplish the same thing and neither would raise the 10.5-million-bale program, allowance having been made for the estimated 500,000 exempt bales.

Rumors that crop loans would not be made another year were put to rest by official denials and by the announcement of plans for extending present loans, expiring July 31, another 6 months or longer.

Cotton Sales Curtailed

With spot cotton under the 12¢ government loan figure, naturally not much of the actual commodity is going to be sold. It will go up as collateral. Hence the problem of moving the crop into consumption is further complicated and another cause for uncertainty is thrown into the already troubled textile trade picture.

Likewise, the break in rubber threatens to disturb the tire trade, which at the height of its sales season is already confronted with a price war. The stable prices that resulted from the code have already been violated. One mail order house cut its prices 22½% last week following an epidemic of special concessions that have always previously forewarned of impending cuts in the business.



Editorially Speaking—

SENATOR LONG once more demonstrates that a streak of grim humor runs through all his political machinations. In December his legislature imposed a "refinery tax" of 5¢ a barrel on crude oil. When Louisiana's important refining industry threatened to leave the state, the Kingfish promised to have his legislature fix things so that state refiners and Louisiana crude oil might enjoy advantages over their competitors. Instead, the legislature, by an obviously unconstitutional resolution, authorized the governor to adjust the tax as he deems expedient. Huey deals the cards, Governor Allen plays for the house, and the refiners have to sit in whether they like it or not.

THE Savings Banks Association of New York finds a new social problem in the housing situation. At the worst of the depression there were 36,000 dwelling vacancies in St. Louis. This number has been reduced to 11,500, most of which are "very undesirable." During the War St. Louis built up a marriage reserve of 9,000. This was "absorbed" after the Armistice. During the depression another marriage reserve of 30,000 has been accumulated. Honeymooners seldom move into very undesirable quarters. If June and Cupid do their stuff this summer, St. Louis may face a housing shortage.

LAST week we were speaking of the extent to which our economy had been unbalanced by the fact that automobiles had displaced 10,000,000 horses and mules, destroyed the market for feedstuffs from 40,000,000 acres. Mr. Ford gives us some statistics bearing on the same problem. If Ford plants produce the promised 1,000,000 cars this year they will require the wool of 800,000 sheep, the hides and byproducts of 30,000 cattle, the fleece of 87,500 goats and the wax of 93,000,000 bees. They will use 433,000 acres of cotton, 20,500 acres of timber and 12,500 acres of sugar cane. Even 240,000 pounds of castor oil will be needed for some purpose. Perhaps if the farmer had his mules back he would miss the bees and have to use his surplus castor oil to grease the wagon.

THE Northern Pacific has a great idea for repopularizing railroad passenger travel. The other day it took 30 school children of St. Cloud, Minn., who had never been on a railroad train, and gave them a ride on its crack train, the North Coast Limited, initiating them in all the luxuries of modern railroad travel. The last paragraph of the notice says:

"Another class period over, the pupils detrained at Rice, Minn., where a special stop had been arranged for the flyer, and returned home by MOTOR."

WHICH reminds us of another problem in railroading. Shortly before Ralph Budd left the presidency of the Great Northern to become head of the Burlington, a committee of taxpayers headed by the mayor boarded his car at a waystation in the wilds of the ore country of upper Michigan. They demanded a new station. Mr. Budd, quite perplexed, pointed out that the red brick station was in fine repair, large, clean and adequate; that it was, in fact, newer and larger than that of other towns of comparable size along the line. Eventually the committee pointed out that the bus company whose route paralleled the railroad used a vacant lot opposite the station as a terminal and that the railroad's toilet facilities were not adequate for both. Mr. Budd passed the cigars and promised to give the matter careful consideration.

NEW ENGLAND is asking for a new deal. It is pointed out that the states which pay the most into the federal treasury get the least in return. There is some extensive reference to the fact that Southern farmers have received the big end of agricultural benefit payments and that the South is the best market for automobiles today. We are then reminded that the states which receive from 95% to 99% of their relief funds from the federal treasury are Georgia, Alabama, Arkansas, Florida, Tennessee, Louisiana, New Mexico, South Carolina, and Mississippi. The states which receive from 33% to 50% of their relief funds from federal taxpayers are, in this order, Massachusetts, Connecticut, Delaware, Maine, Vermont, Rhode Island, and New York.

St. Joseph, Mo., March 5

Gentlemen:

The cover on your March 2, '35 magazine has one flaw, the man fourth from the front row needs his shoes repaired there's a hole in his right sole. I may be only 11 yr's old but I know that fellow needs a cobbler.

Yours truly,
D. N. D.

Dear D. N. D.:

The "hole" in the shoe of the coal company executive who was photographed for your father's Mar. 2 *Business Week* while attending a Washington hearing may have been a flaw in the negative. However, the bituminous industry will be quick to admit that, what with running to hearings and after business, all God's coal men got holes in their shoes.

BUSINESS WEEK

The Journal of Business News and Interpretation

MARCH 16, 1935

The Stable Money Prospect

Unbalanced budgets and currency depreciation have been responsible for the destruction of most of the governments that have failed since recorded history began. More than anything else, these factors account for Hitler, Mussolini, and Lenin. The failure of an economic system immediately intensifies political, as well as economic, nationalism and makes any form of parliamentary or democratic government practically impossible. The world today needs nothing so much as currency stabilization.

This country stands in a strange and paradoxical position in this respect. President Roosevelt destroyed the London Economic Conference and prevented international currency stabilization at a time when it was sorely needed. Yet history may prove that he was both wise and lucky in avoiding the adjustment at that time. Mr. Roosevelt has since been the principal deterrent to international agreement. He is still inflation-minded. But it is not at all improbable that he will take leadership in a movement looking to international stabilization and that the world will return to a gold basis for its currency within a few months.

Whatever happens, we may thank that large and growing group in and out of Congress which advocates currency inflation in its wilder forms. If Mr. Roosevelt moves toward stabilization in the near future it will be because he fears the alternative at the hands of the fiat money crowd. If he fails in that attempt, his failure will also be chargeable to the influence of that same group.

There has been considerable evidence that the President has reached the conclusion that something must be done to forestall fiat money advocates and stabilization may be the answer. Henry F. Grady, chief of the Trade Agreements Section of the Department of State, addressed the audience of a national broadcasting chain recently decrying maladjustments of international debts, tariffs and trade barriers. He argued that the most urgent need of the hour was currency stabilization and the re-establishment of some form of international gold standard. It seems improbable that the Administration was inferentially committed to such a position until Secretary Hull had read the manuscript and discussed the matter with the President.

If business continues to improve in spite of alarms which would ordinarily paralyze it, if the investment market is restored to life and if the radical forces of the country succeed in driving the Administration into comparative conservatism, it might be possible for us to make some progress toward balancing the budget in 1936. Until the budget is balanced and until currency is stabilized, no lasting progress toward recovery can be made.

Presidential Propaganda Vs. Business Propaganda

President Roosevelt's special message to Congress on the so-called public utilities holding company bill sets a new pattern for such documents from this Administration. The President speaks more in passion than in reason. He resorts to propaganda to combat propaganda.

The explanation for the new mode must be found in the realm of politics. This doesn't necessarily imply that the use of political devices, including propaganda, is reprehensible even on the part of the President. He lives in and by politics and accomplishes nothing except in the field of politics. The President is encountering consistently growing opposition from a large group who deem themselves liberals and are labelled radicals by their opponents. It may have seemed to Mr. Roosevelt that it was necessary at this time that he manifest a belligerently liberal attitude about something, and what was more logical in view of his political necessities and his personal convictions than an attack on the utilities.

The attitude of *Business Week* as to the issues involved was stated here two weeks ago. The President's message raises but one new question. He condemns the utilities for "the use of investors' money to make the investor believe that the efforts of government to protect him are devised to defraud him."

The use of such words is an ancient political trick to be expected from those who drew the bill and urged its passage, but not from the President.

It is a matter of opinion whether this bill constitutes an effort on the part of the government to protect the stockholders of holding companies. There may be warrant for the opinion that the motives behind the bill are far less laudable, that its passage will not protect the owners of securities of holding companies but will, in fact, deprive them of their rights and assets. In any event, those investors have a perfect right to form an opinion and to state it. The directors of a utility corporation certainly have as much right to spend the corporation's money openly in directing public attention to what seems to be menacing legislation as Mr. Roosevelt has to spend the taxpayer's money in promoting his own notions of what is good for the taxpayer.

Investment Market Gives Business Revival Promise

There is some justification for the hope and belief that the flow of investment credit into industry has been resumed.

Some saw a portent when Swift & Co. announced the registration of \$43 millions of new bonds to be offered on a $3\frac{3}{4}\%$ basis, but there was no general feeling that this robin promised spring. Swift is one of the soundest industrial companies under fairly concentrated ownership. Its officers and directors were taking a minimum risk of going to jail for signing the registration blanks. When Pacific Gas & Electric Co., part of an industry that is anathema to the present Administration, registered its \$45-million bond issue, we might be justified in believing that the sap is really starting to run.

Nothing could contribute more to the immediate revival of business than the restoration of activity in the investment market. And nothing can do more to discourage radicalism than a spread of the business confidence that is essential to the maintenance of an investment market.

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